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ECONOMIC AFFAIRS

No. 213



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ECONOMIC MANAGEMENT

MISUSE OF PUBLIC FUNDS, UNHEALTHY TENDENCIES SCORED

Tianjin TIANJIN RIBAO 27 Dec 81 p 1

[Article: "Encourage Healthy Trends and Check Unhealthy Tendencies"]

[Text] It was after the State Council issued the "Notice on Stopping Unhealthy Tendencies in the Circulation of Commercial Goods" and the Central Party Committee for the Inspection of Discipline issued the "Notice on Being Strict About Party Discipline and Putting an End to the Unhealthy Tendency of 'Cronyism,'" that the Tianjin City Auxiliary Plant squandered over 10,000 yuan of public money in entertaining and giving gifts. These were deliberate and serious violations of discipline and it is entirely proper and essential that disciplinary action be taken against those responsible and that a circular be distributed at all levels of the Party in the city as a warning example.

Using public funds to entertain and give presents is something that absolutely cannot be condoned as the party attitude of our Communist Party. There are a few units that always use public money to give banquets and that give "souvenirs," "samples" and special products worth dozens of yuan when higher level leaders come for inspection work or when the leadership personnel of other units make visits or when receiving visiting groups, inspection parties and sympathy groups, when holding meetings at which goods are ordered and meetings for evaluating product quality and when opening new stores and putting new plants into operation. Some have even taken their guests on sightseeing tours or to moving pictures and plays. Where does this money come from? Secretaries and managers do not pay out of their own pockets, nor do those who put on a big show or arrange for meals and drinks. This is nothing more than "thinking of a way" to be generous at the expense of the state. And what is the "way"? Some use "little treasuries" outside of the accounts or sell of "waste products." Some misappropriate welfare funds for the staff and workers as well as various types of funds. Some take directly from capital or write "entertainment funds" into their accounts. Some make dummy accounts and false documents. To put it bluntly, these so-called "ways" are nothing more than illegal means for cheating the organization and cheating the masses under various pretexts and in new ways.

What is worthy of note is that the unhealthy tendency of using public funds to entertain and give gifts is often connected with the unhealthy tendency of

"cronyism." Those who receive these benefits are for the most part "cronies" and "useful persons." Some of them are in charge of employment and have allocation authority, some of them are in charge of the allocation of material resources and energy and some of them are in charge of marketing of commercial goods and products in short supply. What is worst is that anyone who does not ingratiate himself with them or who does not give them gifts finds that they abuse their authority to block people, ruin their families and break the "tiger" of the rice bowl.

The unhealthy tendencies of entertaining and giving gifts became rampant under Lin Biao and the "gang of four." Having brought order out of chaos after the smashing of the "gang of four," there was some improvement in the situation. However there are still considerable problems. In addition to the residual evil influences of Lin Biao and the "gang of four" that still have to be eliminated, what is even more worthy of attention is the fact that ideological and political work has been weakened in some units. In these units, the revolutionary character of many comrades is not steadfast and they are not clear about principles. In addition, their spirit of struggle is not strong. When they encounter a situation, they do not consider the principles of Party character, being infected by many unhealthy tendencies of vulgar and sordid merchants. This is where the basic cause lies.

Like other manifestations of unhealthy tendencies, entertaining and giving gifts not only serves to squander and waste state financial resources, destroys the socialist economy and damages the establishment of the four modernizations, it also inevitably dampens the enthusiasm of the masses for the production, damages the prestige of the Party and destroys the relationship between the Party and the masses and the image of socialism.

The use of public funds for entertaining and giving gifts has never been permitted by the Party and the government. The State Council has stipulated in explicit terms that, "In holding meetings or in receiving leadership personnel from higher level organizations or fellow units, public funds must never be used in entertaining and giving gifts. Further, public funds cannot be used for entertaining people with cigarettes, alcohol, candy, fruits and snacks. Nor can public funds be used for going to moving pictures or plays or for organizing receptions for the masses and military companies. Those who violate these stipulations should not apply for reimbursement for their costs and expenditures and anyone who comes up with an 'idea' should pay for it." In July of this year, a State Council notice reiterated that, "It is prohibited for enterprise units and economic units to issue funds to purchase and sales personnel for entertainment, gifts or establishing relationships. If there are any violators after the issue of this notice, an investigation must first be made of the responsibility of the leaders." In "Guiding Principles for Inner-party Political Life," it is stipulated: "It is prohibited to violate stipulations on the use of public funds for entertainment and gifts." The Party Central Disciplinary Committee and the Municipal CCP Committee have already issued notices, circulars and notifications on many occasions regarding the problem of prohibition of use of public funds for entertainment and gifts.

There will be resistance to correcting the unhealthy tendencies of entertaining and gift giving. This resistance can come from many sides. There is the aspect of invitation, there is the aspect of having something to eat, there is the aspect of

old customs and concepts and there are also various types of confused understanding. However, the most important of these is the resistance on the part of a number of those in charge of units. Some responsible persons themselves have a spirit of ostentatiousness and extravagance and indulge in such incorrect ideology and bad habits as being extravagant, establishing relationships and being swayed by personal considerations. Some responsible persons who ordinarily do not study directives from the higher levels, who lack the concepts of policy and discipline, and, who, lured and instigated by "persons who are more a hindrance than a help," abandon their principles in the face of arguments that appear true but are false, nodding their heads in approval and even going to banquets and taking part in the eating and drinking. There are some responsible persons, who, although they themselves do not have anything to eat or drink or take anything, and whose hands and mouths can still be considered clean, nevertheless in the face of such incorrect tendencies in their districts, systems or units do not criticize them or struggle against them, turn a deaf ear to the disclosures and accusations of the masses and do not lend their support to the disciplinary and inspection sectors, keeping one eye open and closing the other. There are some who are fully aware that certain persons have problems but who do not look into or deal with these problems for such reasons as "their work is still not bad," "they cannot be taken away from their professional work" and "fear of hurting feelings." They even go so far as not agreeing to shift someone to another post. If this is not weak and lax, what is it?

How can we check this unhealthy tendency of entertaining and gift giving? First, responsible comrades at all levels must take the lead in implementing the "Guiding Principles" and in implementing the policies of the Party by not engaging in entertaining and gift giving, by not going to eat or requesting gifts, by being honest in performing their official duties and by not letting themselves be stained by a single bit of dirt. This is the most basic aspect. If the principal leaders can observe this point, this will be a silent order to their own units to put an end to entertaining and gift giving. If they can take a clear-cut stand in supporting all levels of the Party structure, then the vast body of the masses both inside and outside the Party, the financial personnel and the disciplinary and inspection departments can struggle with this incorrect tendency so that it can be continuously subjected to inspection and correction. In this way, one level can get a grasp on one level, and there can be successive levels of responsibility. If we do not loosen our grip once we get a hold on it and hold on till we get to the root of it, then the effect will be even better. Second, we must be strict about Party discipline. We must be firm about upholding the principle of making critical education the principal element, permitting those who have committed errors to correct their errors. We must also enforce the discipline of the Party and the government on those who have committed serious errors and apply the necessary discipline and punishment to the principal responsible persons. The small minority of persons who have committed violations with full awareness, who have not reformed on repeated education, who have resisted investigation and who have retaliated against those who have informed the authorities about them should be subjected to severe punishment even to the extent of being expunged from the Party register and being punished according to the law. The public funds and public goods that they have usurped must be paid back. They cannot under any circumstances be let off lightly. Third, at all levels of our Party and government organs, in our enterprises and businesses and in our

rural people's communes, there are very large numbers of good Party members, good cadres and good leadership groups who wholeheartedly serve the people and who do not entertain, send or receive gifts, do not manage their affairs by taking advantage of the public sector and who are not swayed by personal considerations. We should take them as models for study, regularly cleanse ourselves of dirt, uphold the prestige of the Party at all times and in all places and launch an unwavering struggle against all incorrect tendencies.

10019

CSO: 4006/235

FINANCE AND BANKING

BUDGET BALANCING METHODS DISCUSSED

Shanghai WEN HUI BAO in Chinese 12 Dec 81 p 3

[Article by Wang Weiwan [3769 3262 3123]: "Why Did People Say That It Would Be Difficult for China to Realize Virtual Balance in Fiscal Receipts and Expenditures Within a Short Period of Time?"]

[Text] In the government work report presented to the fourth session of the Fifth National People's Congress, Premier Zhao Ziyang declared, "It is predicted that the national economic plan for 1981 will be victoriously fulfilled, the goal of the stable economy being substantially realized." "That fiscal receipts and expenditures would go from much red ink to virtual balance within a short period of time is no easy matter for any country." When the people of the entire country heard this news, they were extremely happy. Why is it that this matter that is so difficult to achieve could be realized by China in such a short period of time?

First of all it was because the decisions of the CCP Central Committee and of the State Council on balanced fiscal expenditures and receipts were correct and determined. For the past 2 years China's finances showed a large amount of red ink. In 1979, the deficit amounted to 17.2 billion, and in 1980 it was 1.27 billion yuan. When deficits occur, it becomes necessary to issue more currency, which makes prices difficult to control and leads to a series of chain reactions, which pose very great dangers.

Following the smashing of the "gang of four," China's national economy rapidly revived, and fiscal revenues increased very rapidly. However, no sufficient estimate had been made of the serious consequences of 10 years of internal turmoil, and no timely inventory had been made of the effects on economic work of "leftist" mistakes. Consequently, out of anxiousness to have quick success, some unrealistic plans were drawn. Following the Third Plenary Session of the 11th Party Central Committee the CCP set a program for the national economy of readjustment, restructuring, reorganization, and upgrading. However, since some units and places did not have the necessary sufficient understanding of this program and did not carry it out vigorously, deficits continued. At this time, the CCP Central Committee convened a work conference proposing further readjustments economically, and further stability politically in two major decisions. At the beginning of the year it proposed further curtailment of investment in capital construction, cutbacks in administrative expenditures,

and taking account of abilities in construction for production, in administrative facilities, and in improvements in people's lives, to keep the limits of expenditures within income. At the same time the State Council issued an eight point decision on balancing fiscal receipts and expenditures, and strict fiscal management. It called for efforts to increase output and increase earnings; to assure that the tax payments and profits of enterprises be promptly tendered to the state in full amount; to exercise strict control and supervision over disbursements for capital construction; to vigorously conserve on expenditures by public agencies and on administrative expenditures; to strictly observe fiscal discipline, etc. Furthermore, on many important issues, it called for exercise of a high degree of centralization and uniformity and the adoption of resolute and vigorous measures. Examples were placing production of consumer goods in an important position; allocation and transfer plans for major agricultural byproducts and processed raw materials had to be resolutely fulfilled according to plan; strict regulation of loans, cash, foreign exchange and management of prices, putting a resolute stop to reckless awards of cash prizes and welfare subsidies so as to assure fiscal balance, credit balance, and stable prices. Within 1 year, action in accordance with the CCP Central Committee's and the State Council's programs, policies, and major measures brought about very rapid virtual balance in China's fiscal expenditures and income.

Secondly, this was possible because people everywhere in the country, in all units, and of all races had a conception of the total situation in their minds. They shared the country's concerns and strove to increase output and earnings. This year, total national output value of industry and agriculture is expected to increase by about 130 percent over last year. This positively could not have been done under circumstances of large scale readjustment of the national economy when agriculture also sustained some serious natural calamities without the unity of purpose of the people of the entire country to increase social wealth. The tremendous increase in output of light industry played a particularly great role in enlivening the marketplace, increasing exports, withdrawing currency from circulation, and increasing earnings.

Yet another reason was implementation of a program of frugality and hard work, arduous struggle, and vigorous curtailment of expenditures of all kinds. This year cutbacks in investment in capital construction nationwide amounted to 38 billion yuan, a cutback of about one-third over last year. All quarters have paid attention to how money was spent, spent as little as possible to do the most possible, thereby further carrying forward the spirit of doing a good job. Accompanying the launching of work to increase earnings and conserve expenditures was restructuring of fiscal and financial organizations, which increased both local financial strength and control over funds by enterprises themselves. This year, in order to stabilize the economy and balance expenditures and revenues, the state properly concentrated some of the financial strength of every place. Following decision by the State Council, national treasury certificates were put on sale, 4 billion yuan in sales begin the required goal, and 5 billion yuan being hoped for. Thanks to every jurisdiction and every unit bearing the overall situation in mind and responding to the call of the Central Committee to actively buy them, the entire quota of national treasury certificates was overfulfilled. In order to balance

national revenues and expenditures, the state also borrowed some of the financial strength of jurisdictions. Both city and rural people eagerly saved. Between January and October this year, savings deposits increased by 9.5 billion yuan throughout the country, also providing funds to support national construction.

As a result of this aforestated efforts the Central Committee's decision at the beginning of the year to virtually balance revenues and expenditures was finally realized. When virtual balance is spoken of here it means to generally approach balance. According to the report that Finance Minister Wang Bingqian made to the Fourth Session of the Fifth National People's Congress, this year's national budget income will be 105.86 billion yuan, and fiscal expenditures will be 108.58 billion yuan for an estimated deficit of 2.72 billion yuan. This is to say that the fiscal deficit will amount to about 2.6 percent of estimated revenues. This is a very great decline from the fiscal deficit of the past 2 years, which was more than 12 percent of revenues. In view of the shortness of the time and the size of the figure, this could only have been done as a result of great efforts, and it is something that no country could have done easily. Henceforth a program of readjustment will be diligently carried out, efforts made to increase output and increase earnings, and to increase economic benefits so as to gradually realize a fundamental turn for the better in the financial and economic situation.

9432

CSO: 4006/222

DISCUSSION OF CURRENT STATE OF CURRENCY CIRCULATION

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 2 (19 Jan 82) pp 2-4

[Article by Shi Lei [4258 7191]: "We Must Resolutely Implement the Policy to Stabilize the Currency"]

[Text] The current state of currency circulation is a matter of concern to everyone. Due to differing approaches, standpoints and views, there has been widespread discussion in the theoretical field and among economic workers. Currency circulation is the result of the joint effects of various economic factors. It is the combined reflection of national economic conditions and the primary basis for carrying out economic policy decisions. It is therefore necessary to have quite a realistic assessment of the situation. Some individual views will be discussed so that together we may make a thorough study of this matter.

New Changes in the Circulation of Currency

Since the Third Plenary Session, our national economy has developed steadily and the situation has improved. Due to the fact that many new conditions have emerged in the overall national economy new changes have also occurred in the circulation of currency. The most important of these are: (1) Cash income and expenditures have grown. The 1981 estimate of cash income has increased 80 percent from that of 1978 and cash expenditures have increased 81 percent. The major reason for the increase in cash income has been the withdrawal of commodities and credit and the major reason behind the increase in cash expenditures has been the increased procurement of subsidiary agricultural products and increased wage payment. (2) There have been changes in the distribution of the amount in the market. Since the Third Plenary Session, because the rural economy has developed faster than the urban economy, the peasants' income has increased faster than that of urban workers so that the proportion of currency distributed in the countryside has increased while it has dropped in the cities. The proportion of commune members with ready cash has increased while the proportion of urban residents with ready cash has declined. Consequently, when looking into the state of currency circulation and organizing the recall of currency it is particularly important to stress strengthening work in the countryside. (3) The recall and circulation of currency by banks has become decentralized. Once the system of responsibility in production was implemented in the countryside, the situation changed somewhat. Production brigades no longer sell subsidiary agricultural products, settle accounts or distribute proceeds in a centralized manner. Rather, it is increasingly the

case that each household is responsible for selling products and settling accounts. (4) There have been changes in the ratio of cash and the transfer of accounts. In the past, when production brigades sold grain and other subsidiary agricultural products, they generally used to transfer and balance accounts without involving cash and only at the end of the year would they decide to withdraw some cash. At present, with contracted production, household contracts and with selling and the settling of accounts managed by each household, cash is generally used. In this way there is an increase in the circulation of currency in the market. Changes in the proportion of cash payments for subsidiary agricultural products are as follows: from 27.85 percent in 1978 to 34.04 percent in 1979 to 40.81 percent in 1980 and to an estimated 50 percent in 1981. At the same time, the proportion of cash received from commodities sales has grown. In the past, production brigades primarily used the system of transferring and balancing accounts when purchasing materials for production. However, with contracted production and household contracts, there has been an increase in household procurements of production materials using cash. Nationwide, the proportion of cash income from commodities sales in the retail turnover of social commodities is increasing year by year, from 62.37 percent in 1978 to 63.63 percent in 1979 to 65.92 percent in 1980 and to an estimated 70 percent in 1981.

In order to organize and regulate the circulation of currency in a planned way and to improve currency control, it is extremely important to be aware of these changes in the circulation of currency, study the characteristics of these changes and understand the principles of these changes.

The Circulation of Currency in the Market Is Still Not Normal

Because there have been new changes in the circulation of currency in the market, the amount of currency in the market has increased. In the last 3 years the amount of currency on the market has increased by 15 billion yuan, of which 10 billion yuan is from 1979 and 1980. This is primarily due to the following factors: a more active economy (in the volume of retail sales of consumer goods); contracted production and household contracts in the countryside that have enabled people to lay aside production reserve funds; and rural commune households which have saved more cash because of their higher incomes. It is also due to the fact that urban individual economy has made advances and each household has been able to retain some cash. Furthermore, urban and rural units have increased in number so that there are more opportunities for keeping funds in reserve.

There still tends to be more bank notes on the market, and the state of currency circulation is still not normal. (1) Based on the number of bank notes in the past 3 years since 1979, if we deduct the amount of currency that is required by the new factors emerging from economic development and from reform of the system, there are still an excessive number of bank notes on the market. If we add on the already excessive number of 1978 bank notes on the market, then the number of bank notes at the end of 1981 is even higher. This does not even include those bank notes from lowered commodity prices. (2) The proportion of the amount of currency in circulation and the retail turnover of social commodities plus market turnover has altered. Based on historical experience and calculations, since the founding of the nation the above mentioned changes in proportion may take several

forms. First, there is the normal state of currency circulation when the proportion is from 1:8 to 1:9. With the new factors computed in, it will be 1:7.5. At this time commodity prices are stable, market supplies are fairly good and the quality of life is good. Second, when currency is either in short supply or excessive, the proportion is 1:7 and 1:6.5 with the new factors added on. In this situation the market conditions are not too bad but the circulation of currency is not normal and it therefore presents a potential danger. Third, if the proportion reaches approximately 1:5.5 it will become an inflationary situation. Prices will go up and there will be a credit crisis. At the end of 1981, the proportion was approximately 1:6.4, which means that we are in the second phase when the circulation of currency is not normal thereby presenting a potential danger. (3) The abnormal circulation of currency is reflected in several areas. For example, the task of economic readjustment has still not been completed and financial and economic troubles have not yet been solved. Furthermore, among the bank notes in circulation, some do not accurately represent our social wealth and some lack the material resources for withdrawing the bank notes from circulation. The state of currency circulation which reflects the national economy is not likely to return to normal. Furthermore, the financial deficit has by no means been eliminated. Although market supplies are satisfactory, the purchasing power of society still exceeds the supply of commodities. Commodity prices are more stable than before but some commodity prices have risen. This all goes to show that there still tend to be too many bank notes on the market.

The Policy to Stabilize Currency Must Be Resolutely Implemented

A fundamental principle for carrying out socialist economic development in our nation is to uphold the economic circulation of currency and not engage in the financial issuing of currency. The Central Committee has repeatedly emphasized that it is essential to uphold the policy of stabilizing the currency. Under the guidance of this policy we have made great efforts these past few years to develop production, revive the economy, increase the withdrawal of currency and control the unreasonable circulation of currency. We have obtained definite results which have played a great role in economic development and in promoting readjustment.

At present, the state of currency circulation has certainly undergone some new changes and the required quantity of currency has also increased. However, the irregular state of currency circulation has not basically changed. The financial issuing of currency still prevails, we have not fully switched over to the economic circulation of currency. As for the excessive number of bank notes on the market, we must become fully aware of the potential danger that exists in this situation. It is necessary to continue to adopt down-to-earth measures, consolidate and stabilize economic gains and reduce and eliminate those destabilizing factors. It should be particularly stressed during times when things are going well. Thus, we must resolutely implement the policy to stabilize the currency, and when bank notes are excessive we must support the development of production with cash, revive the economy and take care not to overstep the warning line in order to avoid influencing production and economic stability.

If we cannot keep a sober head and make calculations that don't coincide with reality when faced with successes, that would be very dangerous and we would be

unable to resolutely implement the policy to stabilize the currency. At this point I will present my own opinions on certain points of view regarding the current problems of the circulation of currency.

1. "The number of bank notes on the market is not excessive." Comrades who uphold this point of view believe that in a country as great as ours, if the number of bank notes on the market increases by several billion yuan, each person could then take his share of several yuan. They also say that the peasants have just increased their income, workers have just readjusted their rank and our standard of living has just begun to improve so they cry out for more bank notes, etc. The amount of bank notes on the market has to do with commodities not the standard of living or each person getting his share of several yuan. These two aspects of this concept should not be confused. If we don't have commodities, we won't increase our wealth by having an even greater number of bank notes. Under the current conditions of not having completed the task of readjustment and with our production of consumer goods unable to catch up with the increased level of purchasing power, there actually does exist a large amount of currency on the market. If we reach the conclusion that "the number of bank notes on the market is not excessive" and that it appears that we can issue even more bank notes and if we use this way of thinking to guide the economy and carry out policy decisions, it will surely lead to future troubles.

2. "Although there may be quite an excessive amount of bank notes at the present time, this economic circulation puts expenditures first and revenue last, it is not seasonal and may be carried over to next year." The circulation and withdrawal of currency is seasonal by nature because it is restricted by agriculture. However, the tendency to have an excessive number of bank notes on the market is the result of the financial issuing of money during the past 2 years. It is certainly not brought about by putting expenditures first and revenue last.

3. "The circulation of currency in 1981 has already changed from the financial issuing of currency to the economic circulation of currency." It should be acknowledged that although some of the currency that was issued in 1981 was economically recirculated, there still exists the problem of the financial issuing of currency. First, there was still an increase in the number of bank notes put in circulation this year even though there are already an excessive number on the market. Second, the proportion of the amount of currency on the market and the retail turnover of social commodities plus market trading volume changed from 1:6.6 during last year to 1:6.4. Third, it was necessary to make withdrawals on credit from banks for 1981 financing. It is therefore impossible for there to be any fundamental improvement in the circulation of currency on the market when there has been no change in the financial and economic situation.

4. "The distribution of currency in the countryside is based on economic circulation of currency." This argument is also not comprehensive. At present, the base procurement figures have once again been lowered. Overpurchasing and raising prices are increasingly and randomly practiced. Procurement is negotiated but not selling. Goods are purchased at a high price and sold at a fair price. This subsidy is assumed by central government financing. If this kind of "economic distribution" is carried out, it is inevitable that the prices of industrial

goods will increase and the benefits to the peasants will essentially be swallowed up by the increased costs of material goods.

5. "At present there are some commodities that still haven't been sold, it cannot be said that materials and commodities are in short supply." Although market supplies are good, commodity shortages can still be seen everywhere. There currently are definite commodity stockpiles, however quality is inferior and prices are high. Overstocked commodities that are unmarketable constitute 15-20 percent of the inventory. As regards material goods, a fair portion of the inventories of electric and steel products are overstocked and a large portion of the inventories of agricultural machinery are overstocked. If the prices of these overstocked goods and commodities are cut there will be a corresponding decrease in capital. These goods cannot be sold on the market nor can they realize their worth, therefore they should not be used as the basis for having fewer bank notes on the market.

6. "Purchasing power is the motive force and lifeline of a commercial economy." The growth of consumer goods must be built on the basis of improving labor productivity and on the basis of steadily increasing social wealth. In the past 2 years average annual purchasing power has increased 20.3 percent while during the last 3 years the national income according to that year's prices has had an annual average increase of 7.5 percent. The gross output value of industry and agriculture has had an average increase of 6.3 percent while the retail value of social commodities during the last 3 years has had an average annual increase of 14 percent. Obviously the growth rate of consumer goods surpasses the increase in labor productivity. At present there is already a large disparity in the supply of commodities. If we once more increase purchasing power to stimulate production, it will influence economic stability which, in the end, will surely affect the development of production.

9864

CSO: 4006/317

FINANCE AND BANKING

'JINGJI YANJIU' DISCUSSES FINANCE, BANKING

HK051155 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 1, 20 Jan 82
pp 75-80

[Article by Xing Junfang [6717 0193 5364]: "Discussions on Finance and Banking During the Past Year"]

[Text] During the past year, academic economic circles in our country have discussed certain problems concerning finance and banking. This article will make a summary of the discussions on several of those theoretical problems.

The Question of Fiscal Deficits

1. Can fiscal deficits be used as a lever to stimulate economic development?

Some people express the view that we must concretely analyze whether continuous fiscal deficits in our country during the last few years have been harmful or not. They believe that "of two evils we should choose the lesser one," and that if we did not allow any fiscal deficits then the harm to the national economy will be even greater. They further believe that provided there is no panic buying in the market, it is permissible to have a slight fiscal deficit. ("Theoretical Discussions on Economic Readjustment," CAI ZHENG [FINANCE], No 2, 1981) Under socialism, it may not be entirely harmful to have a slight fiscal deficit. Indeed, the question of whether or not fiscal deficits can serve as a lever for economic readjustment is a debatable one. ("Notes on an Academic Discussion Meeting on the Question of Financial Deficits," CAIMAO JINGJI CONGKAN [FINANCE, TRADE AND ECONOMICS], No 1, 1981) In the history of capitalist countries, there have been very few cases where the countries did not have any fiscal deficits, but capitalism has continued to flourish just the same. If there is some source for replenishing the deficits, then the finance department can spend the monies derived from the issue of banknotes and the banks have to correspondingly reduce their loans to the enterprises. If the finance department spends the funds belonging to the enterprises the latter can, for the time being, refrain from making use of them. If this can be done without any adverse effect on the demand for funds in economic life, then there is no need for the excess issuance of banknotes despite the fiscal deficit. In other words, although the budget

is not balanced, the "larger balance" achieved in monetary circulation brings about a balance. Under such circumstances, there is no harm in having a slight fiscal deficit, even if it occurs regularly.

Some other people have expressed the view that under the conditions of a planned economy built on the socialist public ownership system, we must insist on the policy of "a balanced budget, leaving a little surplus," and that therefore we must refrain from adopting a policy allowing the existence of a fiscal deficit. This is because such a policy represents a negative factor and is extremely dangerous: First, it disturbs and harms simple reproduction. The excess of capital construction investment over the available supply of material resources means that in regard to available funds, circulation funds (including funds for credits and loans) are squeezed out. Funds for renewal or renovation are also squeezed out. In regard to material resources, it means that the raw materials originally for the maintenance of simple reproduction and the equipment and machinery for maintenance and renewal purposes are diverted to capital construction. This results in the equipment of the enterprises having to carry on in poor condition. Second, it results in capital construction being unable to produce any production capacity, thereby causing enormous waste and extravagance. Third, it increases the volume of money in circulation, makes the volume of money in circulation exceed normal needs, and brings about a sharp contradiction between the available supply of goods and purchasing power. Moreover, it prevents the return to the treasury of money in circulation, makes the value of money unstable, provokes a rise in commodity prices, disturbs the tranquility of the people's lives, and thereby seriously damages the enthusiasm of the masses. The method employed by capitalist countries to make use of an unbalanced budget to stimulate the economy cannot be used by us. The conditions in our country are entirely different. Our situation is one of an insufficiency in resources and not one of an excess in production. Under such conditions, the resort to an unbalanced budget is tantamount to adding oil to a fire. It only aggravates the contradiction of supply lagging behind demand and the consequences are unimaginable. (Ge Zhida: "On the Question of a Balanced Budget," JINGJI YANJIU [ECONOMIC RESEARCH], No 1, 1981) After a year's deliberations, it is found that the majority of the comrades share this view.

2. Causes of fiscal deficits.

As for the causes bringing about fiscal deficits, the controversial point is: Under socialist conditions, is there an objective certainty of the production of fiscal deficits? One view holds that such a certainty does exist. This is principally because of certain irresistible objective conditions such as war and natural disasters as well as subjective errors and misjudgments. (see "Theoretical Discussions on Economic Readjustment," FINANCE, No 2, 1981) In reality, over the past 30 years in our country, fiscal deficits have occurred in one-third of these years. The basic causes were serious imbalances between accumulation and consumption and the accumulation rate being much too high. (see "Notes on an Academic Discussion Meeting on the Question of Financial Revenues," FINANCE, TRADE AND ECONOMICS, No 1, 1981)

Another point of view holds that the cause for the financial deficits in our country over the past 2 years was not due to the socialist economic system itself nor because we intentionally took this course to relieve economic difficulties. Rather, it was the bitter result of undertaking, for many years, capital construction far in excess of the nation's capability. (Dai Yuanchen: "Finding a Way To Eliminate Financial Deficits Through Macroeconomic Policymaking," ZHONGGUO SHEHUI KEXUE [CHINESE SOCIOLOGICAL SCIENCE JOURNAL], No 5, 1981) The basic cause of the problem was the large proportion of capital construction, the construction period being too long, and its poor effect. (Qian Jiaju: "We Must Insist on Financial Equilibrium and Elimination of Fiscal Deficits," FINANCE, No 2, 1981) In addition, another cause was the stockpiling of goods, thereby laying idle large amounts of circulation funds and bringing about financial receipts and bank deposits which just exist on paper. Still another cause was that the increase in consumption funds was not backed by a sufficient supply of material resources. (Zhuo Jiong: "From Where Comes Financial Deficits and Currency Inflation?" YANGCHENG EVENING NEWS, 18 April 1981)

3. Ways to eliminate financial deficits.

A relatively unanimous view is that the basic means to eliminate financial deficits are to increase revenues and to economize on expenditure, to reduce waste and extravagance, and to upgrade economic effects. But in the concrete discussions, there appeared a slight difference in the relative importance given to these measures. Some believed that to eliminate financial deficits, besides reducing capital construction to effect savings in expenditure, the following measures were essential: opening up sources of income, such as tapping the hidden potential of the enterprises, energetically increasing the output of consumer goods, effectively organizing conversion of a portion of the first category of production to the second category of production, clearing up the coal, crude oil, electric power and transport "bottlenecks," appropriately upgrading the standard of living of the people in accordance with the current capability of the country, and effecting tight control over price subsidies and the granting of bonuses. (Dai Yuanchen: *ibid.*) Some offered the view that the basic measure should be to eliminate the vast waste and extravagance in production and construction and upgrade the economic effect. Viewed from the standpoint of financial work itself, in addition to effecting an increase in revenue and economy in expenditures, tax collection work must be strengthened, the major taxes must be directly remitted to the central authorities, a perpendicular taxation system must be instituted and taxation must gradually become the main source of financial revenues and an important lever in regulating and adjusting the market. Simultaneously, price subsidies must be gradually reduced. Then there were others who believed that in eliminating financial deficits, the most important problem was to perform a good job of commodity production and circulation, curbing the production of unmarketable commodities, regulating production in accordance with market needs, and earnestly endeavoring to market and dispose of stockpiled products. (Zhuo Jiong: "From Where Comes Financial Deficits and Currency Inflation?" YANGCHENG EVENING NEWS, 18 April 1981)

The Problem of Credit Inflation

1. What constitutes credit inflation? It is generally manifested in four aspects.

(1) Credit inflation is the state where the banks, under the conditions of enjoying the decisionmaking power, grant loans in excess of their deposits and their own funds, thus blindly expanding. They thereby cause capital expansion which is only on paper and the appearance of unreal economic prosperity. In other words, it is a state of affairs brought into being by the banks granting loans in excess of a definite volume or fixed limit and also exceeding the credit quality norms. (2) So-called credit inflation is the granting of loans in excess of the normal growth of production and of the marketing of commodities. (3) In reality, credit inflation implies the volume of loans being in excess of the objectively permissible limit, while inflation itself indicates that this form of economic procedure is an abnormal one. The objectively permissible limit for loans should be more definitely set down as: the gross volume of loans, less the portion convertible into potential currency, should be equivalent to the necessary volume of currency for circulation. (Huang Da and Zhou Shengye: "What Is Credit Inflation? How Is It Brought About?" JINGJI YANJIU, No 11, 1981) (4) Credit inflation is the increase in the gross volume of bank loans (including relative value and absolute value) exceeding the increase in the gross volume of deposits, thereby causing an excessive currency issuance in the economy.

2. Does credit inflation currently exist in China?

One view is that at present there is no credit inflation in China. It holds that, as seen from the standpoint of value movement, we are currently facing not the problem of credit inflation but that of credit stagnation and currency inflation. We are still far from fully bringing into play bank credits' inherent extensiveness, their mobility, elasticity and role in regulating the national economy. An allegation of the existence of credit inflation in the country would have no theoretical backing. Rather, in actual practice, this allegation would only stifle credit, stifle the national economy and stifle the market. Seen from the actual conditions, since the founding of our republic, in by far the great majority of years, the proportions occupied by deposits and loans in the gross industrial and agricultural output value were as follows: deposits occupied a proportion of about one-fourth, not exceeding one-third at the highest point, and loans occupied a proportion of one-third, not exceeding one-half at the highest. Only in the years 1961 and 1962 were the proportions of deposits and of loans found to have exceeded the above-mentioned highest points. In these years there was credit inflation. In the years 1979 and 1980, the proportion of deposits were respectively 23.2 percent and 28.3 percent while those of loans were respectively 33 percent and 36.5 percent. It can thus be seen that at present, we have not yet reached a stage of credit inflation.

Another view is that at present credit inflation does exist in our country. The principal reasons given are: First, the financial deficits have brought

about an imbalance in the credits and loans of the banks. This has compelled the banks to increase the issue of banknotes but this increased issue of currency has actually surpassed the circulation needs of the market. Furthermore, this increase was not backed by available supplies of commodities and material resources, being only funds advanced by the banks in the form of credit inflation. Second, of the medium-term and short-term loans granted by the banks for the purpose of equipment purchases, a portion were not backed by a corresponding source of funds supply and the duration of these loans was usually 1 year or longer. Actually, this has promoted duplicate and wasteful construction. Third, of the increased credit funds raised by the banks, a portion is not actually an increase in normal deposits. This rather substantial portion of the funds is actually the difference between the social purchasing power and the available supply of commodities. In other words, these deposits are not backed by corresponding material resources while the loaning out of the funds by the banks ultimately converts them into real purchasing power. In reality, this constitutes "real loans backed by unreal deposits," and is also one form of credit inflation. Fourth, it is also one form of credit inflation, when enterprises turn out products which do not conform with social needs or the quality of which is inferior. This holds back bank funds for a prolonged period which is virtually defaulting on bank loans or having loans without the backing of corresponding material resources. (Li Chengrui: "Finance, Balancing of Credits and Loans, and Balancing of the National Economy," JINGJI YANJIU, No 3, 1981; and Huang Jubo: "A Question in the Unified Balance of Finance, Credits and Loans," RENMIN RIBAO, 17 February 1981)

3. Divergent views on currency policy.

Those comrades who believe that at present there is credit inflation in the country hold the view that in order to eliminate credit inflation we must tighten the money market. (Li Chengrui: *ibid.*)

On the other hand, those comrades who hold contrary views to the above contend that the principal countermeasure necessary at present is the stepping up of the return flow of currency to the treasury rather than exercising the utmost efforts to reduce the number of loans granted or tightening the money market. They hold that in promoting the return flow of currency, we should carefully note the actual conditions of the money market and that we should enliven the national economy. Through enlivening the national economy both the economy and the market may be stabilized.

When analyzing the two points of views mentioned above, some comrades have opined that tightening the money market and curbing the circulation volume of money might be helpful in swiftly effecting an about-turn in the rise of commodity prices. But it also incurs the risk of making industry and commerce suffering from financial stringency, resulting even in their bankruptcy or the closing of their doors. The continued pursuance of this policy would strangle the national economy, particularly heavy industry, resulting in an enlargement of the financial deficits. They argue that we should adopt a policy of tightening on the one hand and opening up on the other, that is to say, tightening and economizing on fiscal expenditure and concurrently

defreezing the deposits of the enterprises and enlivening or promoting credits and loans from the banks. Concretely speaking: (1) We should firmly insist on currency flotation strictly in accordance with economic principles and put an end to overdrafts from the banks on the part of the financial departments and also stop the banks from indulging in currency inflation. (2) We should amply supply the loans and currency issuance needed by the state in purchases of agricultural products. (3) We should grasp tightly the two roads for the return flow of money, from the sale of commodities and from savings deposits and credit repayments to banks. We should exert the utmost efforts to effect the return flow of funds in order to fortify and augment the fund resources for increasing bank loans, enlivening the national economy and undertaking the necessary construction tasks. (4) We should rely on funds from the savings deposits and fixed deposits of the banks to grant medium-term and short-term loans for equipment purchases, for construction in the energy industry, and for the renewal of equipment. We should simultaneously develop both light industry and heavy industry, enliven the national economy, and lay the foundation for future development.

The Problem of Raising and Using Social Funds

One view that is more or less unanimous is that raising and making good use of social funds is an important means of overcoming financial difficulties and an insufficiency of capital construction funds. However, there is still much divergence of views on the following three points:

1. Concerning the hidden potential of social funds and the extent to which they may be utilized.

One view believes that social funds have vast hidden potential. If only we knew how to raise them properly, then the problem of procuring funds could be readily solved. The principal reasons offered are: In the course of the development of socialized large production, the volume of funds concentrated in the banks will grow continuously and will surpass the dimensions of the state budget. The excess of funds outside the budget over funds inside the budget is a trend of development which cannot be changed by mankind's wishes. Over the last few years, a rapidly increasing amount of social funds has been concentrated in the banks. In 1980, bank deposits amounted to 175.2 billion yuan, equivalent to roughly 48.9 percent of the national income for that year, while during the same period the amount of financial revenue was equivalent to only 28.9 percent of the national income. The depreciation and renewal sinking funds and development funds of the enterprises amounted to over 50 billion yuan. Of the savings deposits of the residents, fixed deposits constituted roughly 80 percent. The amount of savings deposits of the whole country amounted to 40 billion yuan. On the basis of 20 percent of this being available for credits and loans, about 8 billion yuan would be available. Actually, of the latter amount, 4 billion yuan had been utilized for medium-term and short-term loans. A balance of 4 billion yuan would still be available for credit and loan investments.

Another view holds that currently budget funds and bank funds are equally stringent and that therefore the gross volume of funds allocated and utilized

must conform with the sources of these funds. Supporters of this view hold that the sudden increase in the amount of bank deposits over the last 2 years is an abnormal phenomenon and that a large portion of the deposits were just transformed financial deficits. (Xu Yi: "Some Divergent Views on Economic Readjustment," *FINANCE*, No 2, 1981) Viewed from society as a whole, the current increases in the savings deposits of the residents have grown principally from the disparity between the amount of purchasing power in society and the available supply volume of commodities. Therefore they were not backed by the existence of real material resources. They served the purpose of balancing the disparity between the available supply volume of commodities and social purchasing power and also served the purpose of stabilizing commodity prices. However, to use this money on capital construction would be pure speculation and would bring about credit inflation. Hence, whether or not the savings deposits of the residents can be used for credit and loan investments should be governed by the restriction that currency inflation and credit inflation will not result therefrom. It is true that the gross volume of bank deposits of the enterprises is enormous, but all of these funds have specially designated uses. Besides, they constitute merely temporarily idle funds in the process of utilization. If diverted for use on credit and loan investments, it would be like "marrying a girl to two husbands." The outcome would be the stretching of the capital construction front and the disturbing of the normal progress of production and construction. In short, an earnest study must be made of the limits of the amount of social funds to be used on construction purposes. (Xu Yi: "Macroscopic Control and Overall Finances," *JINGJI YANJIU*, No 1, 1982)

A third viewpoint holds that in regard to the problem of funds, we should not make an overoptimistic estimate and that in solving the contradiction between construction speed and insufficiency of funds, allowing inflation to exist to some extent is unavoidable. Viewed from the law governing the movement of credit and loan funds, expanding loans will create a corresponding amount of deposits and cash. Actually, the extent to which bank loans can be made is governed by the following condition: The amount of real purchasing power that can be formed by the loans, after taking into consideration the factor that the real purchasing power may be converted into hidden purchasing power, should not surpass the requirement for maintaining an equilibrium in supply and demand. If this requirement is exceeded, credit inflation and currency inflation will result. Over many years we have had a state of inflation. In 1981, it seemed that general inflation was changing to inflation of a structural nature. Under such conditions, the funds loaned out by the banks are funds in actual currency. While a portion thereof may be converted from consumption to accumulation and another portion may just be the redistribution of the accumulations between the departments and the enterprises, the large quantity of deposits and cash which represent real purchasing power have now become the medium for the distribution of the products of society. But no direct increases of any kind have been effected in the status of material resources. Viewed from this angle, the stringency of funds is obvious and can be readily seen. Therefore, at the present moment, in order to solve the contradiction between the speed of construction and the insufficiency in funds, the possibility of having a little inflation cannot be ruled out. This must be properly noted and we must be extremely careful in handling it.

2. Is there any risk in using funds raised from society for granting medium-term and short-term loans for equipment purchases?

Some people hold the view that at present the problem of fiscal deficits has not been solved, that the banks still have an adverse balance in their credit and loan accounts, that there is an overissue of currency in circulation and consumer goods are still extremely short in supply. Hence, they contend that under such conditions, it is rather risky for the banks to use the idle funds of society, which they have absorbed ostensibly for short-term turnover, for the purpose of granting medium-term and short-term loans of a duration period of 1 year or longer. At present, viewed from the conditions of the credits and loans of the banks, the granting of loans has already exceeded the growth of bank deposits. For this reason, those comrades holding the above view suggested that first of all we must make an accurate estimate of the exact amount of funds which can be raised in the whole country and which can be utilized and only after it is ascertained that the credits and loan funds can satisfy the needs for ordinary turnover uses and still have a balance left, that suitable amounts of credit and loan investments can be made. Moreover, loans of the latter category must be included in the state plan, to effect an overall balance.

Another view believes that making use of social funds for the purpose of granting medium- and short-term loans helps in enlivening the economy and speeding up construction. The reasons are: First, medium- and short-term loans are principally intended for use by the light and textile industries and by the old enterprises for technical reform and hence can enliven both supply and demand. Second, they can effectively help in the readjustment of the national economy. Third, they can strengthen the economic responsibility system of the enterprises and raise the investment effect. (Yang Peixin: "On Medium- and Short-Term Bank Loans for Equipment," JINGJI YANJIU, No 8, 1981)

3. Channels for raising and utilizing social funds.

Some people hold the view that the raising and utilizing of social funds should take the form of bank credits. This complies with the demand of the objective laws of economic development in our country. They suggest that in order to raise the investment effect the banks should take over the unified handling and granting of loans for all construction funds, including not only funds absorbed by the banks themselves and funds for economic construction expenses (capital construction investments and circulation funds) included in the state budget, but also foreign funds.

Another view holds that mobilization of social funds should be along two broad lines, namely, by fiscal measures and by credits and loans, and that the utilization of funds should also take the same two roads. These two credit forms have their own characteristics. In the case of deposits absorbed by the banks, they must necessarily be of the depositors' own volition but in the case of bonds floated by the state, they embody characteristics which embrace both mandatory allocation and voluntary subscription. Moreover, the latter embodies the additional feature of changing the power

of utilization under the conditions of not changing the right of ownership. Bank deposits, including fixed deposits, can be withdrawn by the depositors at will. This type of funds more or less lack the stability feature, and are more suitable as loans for circulation funds and short-term turnover. On the other hand, state loans possess the stability feature for a given period and thus can be used for capital construction. Therefore, bank credits alone should not be relied upon and resort must be made to credit from the state as well. (Li Chengrui: "Balancing of Finance, Credits and Loans and the Overall Balance of the National Economy," JINGJI YANJIU, No 3, 1981; Xu Yi: "Macroscopic Control and Overall Finance," JINGJI YANJIU, No 1, 1982)

Problem of Overall Finance

1. Divergent interpretations of the meaning of overall finance.

One interpretation is: overall or comprehensive finance is a special economic category under socialism and is controlled finance built on the foundation of the system of public ownership of the means of production and belongs to the category of macroeconomics in liaison with planned economy. In other words, it is macroscopic finance covering the scope of the whole national economy or a locality. It is a branch of financial studies under socialism. (Li Chengrui and Xu Yi: *ibid.*)

Another interpretation is: overall finance is the overall measurement and overall allocation of the financial power of the country. It should not be taken as a special economic category found only under socialism. Capitalist countries, when forming, concentrating and using a portion of the national income, must likewise resort to overall measurement and apply mathematical methods to its distribution. The question lies in the differences in the nature they manifest, in the depth and width of the overall measurement, in the scope of function of the funds, and their targets.

2. The function and role of overall finance.

Concerning the above, there are three separate points of view: (1) The function of overall finance is principally to reflect the gross amount and the utilization of financial funds and social funds so that the leadership organs may know the state of the allocation of the funds. (2) Overall finance is to provide a mathematical basis for the raising of funds from society by means of which the amount of social funds to be raised may be determined. (3) The principal function of overall finance is to strengthen macroscopic control in order that under the logical premise of not changing the ownership right of the funds the direction of the use of funds may still be guided so that the amount of funds, though limited, may be put to the best use, thus raising the effect of their utilization. Some publications have expressed the view that the main functions of overall finance should be to effect a unified handling and utilization of funds, to supervise economic activities, and to solve the problem of the contradiction between national power (mainly financial power) and the scale of construction.

3. The scope of overall finance.

One view holds that overall finance embodies two aspects, namely, quantitative and qualitative aspects, and is the dialectical unification of quantity and quality. Its qualitative aspect is related to the allocation relations of the various categories of funds under the national income which constitutes the main body for the allocation of financial funds. Its quantitative aspect is related to the quantitative relations it embraces. Overall finance includes funds inside the budget, funds outside the budget, funds for special uses of the various departments of the national economy and among the financial receipts and expenses of the enterprises (including those under the collective ownership system), credits and loans of banks and their cash receipts and expenses (amounts of increase or decrease). (Riqing: "Preliminary Study of Overall Finance," JINGJI YANJIU, No 2, 1981)

Another view is as follows: overall finance should embrace the movement of funds of the whole society, including the sum total of the movements of funds at the various stages of production, distribution, exchange and consumption. It should also embrace the movement of funds in simple reproduction on the part of the enterprises. This is because the movements of funds involved in the enterprises' simple reproduction and embracing both fixed funds and circulation funds occupy a relatively large weight. Besides, at present, the state of goods stockpiling and of waste and extravagance is very serious. Viewed from the standpoint of the balancing of funds and material resources, it is necessary to probe into this portion of funds. (Xu Riqing: JINGJI YANJIU, No 2, 1981)

Still another view contends that overall finance should embrace both funds within the budget and funds outside the budget. First of all, we must strengthen the planned control of funds outside the budget in order to guide the direction of use of this portion of funds to key construction urgently needed by the state and to technical transformation so as to improve the economic structure and product structure, and speed up the pace of technical transformation of enterprises. (Xu Riqing: *ibid.*)

On the Question of Reforming the Financial System

1. How to appraise the reform of the financial system.

A comparatively unanimous view concerning the existing graded financial system calling for "eating in separate kitchens" is as follows: The orientation of reform is correct and has yielded obvious results. But there still exist differences in varying degrees. The three types of views below are of a representative nature: One view believes that under the present circumstances the graded financial system calling for "eating in separate kitchens" is a good system conforming to current reality. Its superiority is shown in the following: arousing the activism of the localities, strengthening the sense of responsibility, and displaying the realization of the principle of a combination of power, responsibility and benefit; it helps the localities to make unified plans; it assists the localities in increasing production and effecting economy, in increasing income and reducing outlay, and in raising

the economic effect. Naturally, it has numerous problems and contradictions, but by no means should we ascribe all the maladies in current-day economic life to faults in the financial system. Under the conditions of the current economic readjustment, to attempt to work out a better and new financial system is unrealistic. Another view contends that the graded financial system calling for "eating in separate kitchens" has its aspects of arousing the localities to increase their income and to effect economy and also of stirring up their enthusiasm for economic development and development of other enterprises. However, it can easily attract the localities to adopt various "protectionist" measures, to institute blockades, to curb competition, to seriously weaken the horizontal relations between the localities and the enterprises, and to impede production development. Still another view opines that the principal question lies in the selection of the time element for reform. Under the present circumstances of there being huge financial deficits and no room for maneuver, ordinarily the centralization of financial power is a requisite but now, on the contrary, the division of financial power is advocated. Moreover, in the absence of a central blueprint for economic reform, finance is being put to the fore, as a result of which, the contradiction between centralized authority and divided authority has appeared glaringly in the realm of finance, thus intensifying the disequilibrium in financial revenues and expenditures. (Dai Yuanchen: "Correctly Handle Readjustment and Reform in Relation to Budget Balance," CAIZHENG, No 8, 1981)

Concerning the question of the system of partial retention of profits, a comparatively unanimous view is that it represents an important reform in the system of the control of funds in our country and that it has played an important role in raising the enthusiasm of the enterprises and their staff and workers. But it has also created new contradictions. For example: There is a great disparity between the partial retention of profits among the trades and among the enterprises. The situation may be described as "whipping a fast ox," and the phenomenon of an uneven distribution of hardship and happiness has become particularly outstanding. Viewed from the standpoint of policymaking, laying stress on achieving the rational distribution of profits and on supervising the enterprises to improve their management and control have produced a certain effect. However, because of the irrational commodity prices, the present level of profits of the enterprises does not necessarily reflect the level of their management and control. Besides, the business accounting of the enterprises has been unduly distorted and this has produced many evil effects.

On this question an important point of divergence concerns the theoretical background for reforming the system of management of funds. Some people believe that socialist enterprises constitute the basic unit of the socialist economy. They are mobile and organic structures and possess independent economic interests. Hence, the economic system of socialism should be built on the enterprises as the basic units. (Jiang Yiwei: "On Enterprises as Basic Units," "The 1981 China Economic Yearbook" p V-139) The basis for setting up the system of management of funds is: Since state enterprises belong to the state which represents the whole people and are commodity producers enjoying independent authority, in reforming their fund management

system they follow the direction of responsibility for their own profits and losses and handling their own financial affairs. (see Huang Da and others: "Financial and Currency Problems of Socialism," China People's University Publishing House, 1981 edition, pp 252, 247)

Another view holds that the purpose of making state enterprises carry out reform of their management system is to arouse their activism and to develop the productive forces. But some people suggest the theory of enterprises as basic units which is completely divorced from the state plan, opposed to administrative intervention, and opposed to regulation by planning mechanism. Then there are people who say: Since socialism advocates a commodity economy, the enterprises should be accorded with the status of independent commodity producers. All these views are incorrect. (Xu Yi: "Some Unrealistic Views on Economic Readjustment," CAIZHENG, No 2, 1981)

2. Relations between finance and banks.

The traditional view is that under socialist conditions finance has the function of distributing and redistributing the national income, whereas banks serve as the chief center for settling accounts and for handling credits and loans and cash receipts and payments. The liaison of bank credits and loans with commodity circulation and the turnover of funds gives the banks the function of regulating the supply of funds but they do not have any function of distribution. (Xu Yi: "Some Unrealistic Opinions on Economic Readjustment," CAIZHENG, No 2, 1981) The basis for this theory is that the socialist economy is a planned economy and that investments on economic construction may be controlled by plans and are not governed by the credit and loan policy of banks.

Comrades opposed to the above interpretation are of the opinion that since the economic readjustment and system reform, the function and role of banks have undergone a new development. The generalization that banks have three functions (credits and loans, settling accounts and cash receipts and payments) no longer correctly denotes the status of banks in the national economy and cannot penetratingly reveal their role in the process of social reproduction. Among the comrades holding the above view are some who believe that the new development in the role of the banks is seen in the following: regulating the direction of development of production, the structure of products and the speed of production; the inclusion of bank loans in the realm of fixed assets promotes the development of expanded reproduction; coordinating the relations between industry and commerce and between wholesalers and retailers, enlivening circulation and expanding the withdrawal of currency from circulation; by means of intelligence transmission, bringing into full play their role of serving as an important link with funding activities; and promoting coordination among specialized departments and economic integration. (Huang Zhaozhi: "New Development in the Role of Banks in Our Country," WEN HUI BAO, 29 August 1981) Some people are of the opinion that socialist banks are tools for the distribution and redistribution of funds, and that their principal function is to centralize the idle funds of enterprises and business units and funds in the hands of individuals, to convert them into social funds and, based on actual needs, to carry out redistribution by means of loans.

3. Divergent suggestions on reform of the financial system.

In the course of economic readjustment and reform, the call to expand the decisionmaking power and the scope of credit facilities of the banks has been a comparatively general one. But no unanimous agreement has been reached concerning the extent to which the power and the scope of credit facilities of the banks should be extended.

One view contends that in their real nature banks should be separated from finance, that they should enjoy autonomy, and that they should play the important role of distributing and regulating funds in the national economy, to the end that finance and banks serve as the right and left hands in guiding the economy of the nation. Among those comrades holding this view some have gone even further and suggested that the division of work between finance and banks should be demarcated again, that finance should handle investments and foreign capital whereas banks should take charge of deposits and exercise unified control over the granting of loans, and thus help the achievement of overall balance.

Another view points out that following the reform of the economic system and expansion of the decisionmaking power of the enterprises, financial revenues will correspondingly be reduced but this should not mean that the functions and role of finance have been reduced. In the distribution and redistribution of the national income, finance should still occupy the leading place.

Still another point of view suggests the gradual reduction of the ratio of financial appropriations and the expansion of bank loans so that the banks become the main source of investments, claiming that this is the future trend of development. Some comrades have suggested that in order to bring into full play the role of banks as the lever of credits and loans, all capital construction investments should be handled by construction banks and that the greater portion of the loans should be on a reward for utilization basis. They further expressed the view that when conditions are ripe the former practice of the people's bank advancing the circulation funds in full to the enterprises should be restored. (Li Chengrui: "Financial and Credit Balance and Overall Balance of the National Economy," JINGJI YANJIU, No 3, 1981) However, some comrades did not fully subscribe to this view. They contended that when the need for the renewal of the fixed assets should arise and if finance had been handling the depreciation funds then finance would provide the funds required and in the event of any deficiency the banks should advance small loans to make up. If the enterprises themselves had been handling the depreciation funds, then the redistribution task falling on the banks would be heavier. As for funds required for the expansion of fixed assets, all along they have been provided for by means of financial appropriations. While from now on there will be an increasing possibility for the banks to attend to this phase of activities by means of their accumulated credit and loan funds, financial appropriations (including long-term loans in the form of appropriations) will continue to take the lead. In regard to circulation funds, hereafter the necessary conditions should be created for the enterprises to depend on their own fund accumulations to have them replenished. However, newly created enterprises will still receive

financial appropriations to serve as circulation funds. While in this connection the tasks falling on the banks will steadily grow, to hope that the supply of circulation funds will in due course come wholly from the banks in the form of credits and loans will be stretching the imagination a little too far. Nevertheless, the replenishment of deficits or lost capital should clearly be the task of finance. (Huang Da and Han Yingjie: "On the Question of the Junction Points in the Mutual Coordination of Financial and Credit Expenditures" CAIMAO JINGJI, No 4, 1981).

CSO: 4006/343

FINANCE AND BANKING

GUANGZHOU MUNICIPALITY SAVINGS DEPOSITS INCREASE

Guangzhou NANFANG RIBAO in Chinese 16 Dec 81 p 1

[Article: "People's Savings Deposits in Guangzhou Municipality Exceed 900 Million Yuan; Yesterday Municipal Departments Concerned Held a Meeting to Exchange Experiences and to Mobilize Further Efforts to Get People to Save"]

[Text] The savings deposit situation for the people of Guangzhou Municipality is very good. As of the end of November this year, savings deposits by the city and towns within the municipality totaled more than 933 billion yuan, a 244 million yuan increase since the end of last year. This has been the year of greatest savings since 1979.

As people's livelihoods have improved, savings deposits by the people of Guangzhou Municipality have increased remarkably, savings deposits per capita averaging an increase to the present 303 yuan as compared with 173 yuan in 1979. More than 70 percent of these deposits have been time deposits or long-term deposits. Savings deposits by the people of the municipality now total as much as about 70 percent of the total sum of industrial loans by the Municipal People's, and they play an active role in supporting construction of the four modernizations. Nevertheless, savings potential of the people of Guangzhou Municipality remains very large. According to people in a position to know, the increased savings deposits amount to only 12.8 percent of the income of staff and workers. If this ratio could be raised by three percent, savings would increase by 50 million yuan in a single year. Currency currently in the hands of the people of the municipality amounts to more than 300 million yuan. If one-tenth of idle funds could be mobilized for savings accounts, that would amount to 30 million yuan. Consequently continuing to do a good job in getting people to save so as to accumulate more funds for building of the four modernizations is imperative. Yesterday the Guangzhou Municipal Branch of the Chinese People's Bank held a meeting to exchange experiences in undertaking savings deposit work and to mobilize further development of work to get people to save.

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CSO: 4006/222

INDUSTRY

ZHAO ZIYANG ADDRESSES INDUSTRY CONFERENCE

OW042118 Beijing XINHUA Domestic Service in Chinese 1601 GMT 4 Mar 82

[Text] Tianjin, 4 Mar (XINHUA)—The National Work Conference on Industry and Communications held by the State Council ended in Tianjin on 4 March. State Council Premier Zhao Ziyang made a lengthy, important speech at the conference on the current economic work in our country.

Zhao Ziyang said: On the basis of last year's remarkable achievements, our country has made further progress in industrial production since the beginning of this year. Judging from the results of January and February, the trend in production is good, and it is completely possible to fulfill this year's target of ensuring a 4 percent increase and striving for a 5 percent increase in total industrial output value over last year. What we are afraid of this year is not the problem of the growth rate but of the failure to pay attention to economic results. In the light of this, it is necessary to correct the guiding principle for industrial production by stressing economic results instead of pursuing excessively high output value and production growth.

Zhao Ziyang's speech is divided into five parts: 1) on the question of raising economic results; 2) on the question of adhering to the principle of giving highest priority to the planned economy and taking the whole country and the overall situation into account; 3) on the question of overall reorganization and readjustment of enterprises; 4) on the question of finance; and 5) on the question of strengthening ideological and political work.

Since the opening of the National Work Conference on Industry and Communications on 20 February, the participants held ample discussions around the central topic of raising economic results. They pointed out that it is necessary to make determined and painstaking efforts to bring about a drastic change in the guiding principle for economic work by shifting the stress from output value and production growth to economic results and by implementing this new principle in our action. In this way, we will be able to achieve a breakthrough in industrial production and transportation work. To this end, the conference formulated some specific measures for raising economic results that can enable us to use the minimum cost to produce more and better marketable goods and achieve a genuine increase in industrial production for this year with better economic results.

Through discussions, the conference participants conscientiously studied and made arrangements for questions on energy production and conservation, transportation of coal, all-round reorganization of enterprises in groups and by stages, and strengthening of ideological and political work in enterprises, especially propaganda and education on the economic situation among urban residents.

Attending the conference were responsible persons from all provinces, municipalities and autonomous regions, industrial and communications, finance and trade and military industrial departments under the State Council, representatives from some small and medium-sized cities and advanced enterprises, and experts and scholars from economic circles.

CSO: .4006/343

INDUSTRY

'JINGJI GUANLI' ON PROPORTION OF LIGHT INDUSTRY

HK090139 Beijing JINGJI GUANLI [ECONOMIC MANAGEMENT] in Chinese No 1,
15 Jan 82 pp 26-27, 61

[Article by Liu Peng [0491 7720]: "Is It True That the Share of Light Industry Should Be as Large as Possible?"; passages within slantlines printed in boldface]

[Text] When they were summing up the experience of our economic construction and drawing lessons from it, some comrades deemed that the industrial structure in our country is a kind of "heavy structure" which was not rational and should be changed into a "light structure." In their opinion, over 60 percent of the total value of industrial and agricultural output should come from agriculture and light industry, while heavy industry should only account for less than 40 percent. As a result of implementing the national economic plans in 1980, the output value of agriculture and light industry made up nearly 60 percent of the total output value, but consumer goods for daily use were still in short supply. This made some comrades feel that even if agriculture and light industry just amount to 60 percent, that is still not sufficient. They maintained that the appropriate proportion of agriculture and light industry should be as much as 70 percent. Their desire to develop more light industry is understandable. However, in my opinion, it is not correct to think that the share of light industry should be as large as possible.

/1. The concepts of "heavy structure" and "light structure" as used by some people to differentiate the industrial structures, though rather vivid, are not accurate and cannot help clarify the problems./

First, these concepts can only indicate the quantitative factors, they cannot reflect the quality of production. The theory of light structure only calls for drawing 60 to 70 percent of the total output value from agriculture and light industry. But the proportion of output value cannot reflect whether the products conform with the objective demands and the qualitative requirements. Even if the products can fulfill the qualitative requirements, due to the different levels of economic development and different technological makeups, the proportion of agriculture and light industry in the economy still cannot indicate whether the economic structure is reasonable or not. For example, the output value of light industry and agriculture in our

country in 1952 made up 84.5 percent of the total output value of industry and agriculture, and greatly exceeded the 70 percent standard set by the theory of "light structure." But this did not indicate that the industrial structure at that time was reasonable, it only showed that our foundation of heavy industry was too weak. Then let us take the situation in 1965, when our country had initially set up an integrated industrial system, as another example. The share of agriculture and light industry in that year was 69.6 percent, not far below the 70 percent standard. But it still cannot prove the soundness of the industrial structure at that time. Currently, the output value of agriculture and light industry has also exceeded 60 percent of the total output value of production, and has also met the requirement set by the theory of light structure. According to this theory, the arduous task of readjusting the industrial structure has thus been accomplished. This conclusion apparently does not conform with the reality.

On the other hand, can it be said that a larger proportion of heavy industry will lead to an unreasonable structure? No, that is not certain. In the early 1970's, the proportion of heavy industry in Japan and West Germany was above 60 percent, but their economies were still well coordinated and developed at rather high speeds. The reasons lay in the fact that their heavy industry not only served their agriculture and light industry, but also supplied the international market with a considerable part of their products. If our state can do the same, even if the proportion of heavy industry gets larger, it cannot be considered as an unreasonable structure. So, we cannot judge the rationality of an industrial structure by the proportions of various industrial departments.

Second, the theory of dividing the industrial structure into light and heavy cannot clearly explain some of the complicated phenomena in industry. For a long time, the industrial sectors producing capital goods were called heavy industry, and the sectors producing consumer goods were called light industry. This was only a rough division. In fact, things are more complicated. Some daily-use consumer goods such as mechanical and electrical products are made in heavy industrial sectors; on the other hand, some products of light industry are not consumer goods. This shows that the division of industry into heavy and light is relative. Heavy industry and light industry often overlap.

It is thus obvious that the method of dividing the industrial structure into heavy and light is apt to confuse people and result in deviation.

/2. The theory of light structure is not in conformity with the Marxist principle that the two major categories of production should develop in proportion./ According to the Marxist theory of social reproduction, in addition to meeting the needs inside a category, products should be exchanged between these two major categories. This exchange requires that the use value of the products be mutually compatible and that the value of the products be mutually compensated. For this purpose, the production of these two categories should be kept in proportion. And the proportionate development of the two major production categories forms a basic condition for realizing social reproduction.

The relationship between heavy industry and light industry, though not equal to the relationship between the production of capital goods and of consumer goods, in essence reflects the latter. Therefore, a proper ratio should be maintained between heavy and light industry. Overbalance, whether on the side of heavy industry or of light industry, will violate the Marxist principle on the proportionate development of the two major categories.

Marxist reproduction theory also holds that, in the expanded reproduction based on advanced technology, the production of the means of production should develop at a higher speed than that of consumer goods. This is the law of priority development of production of the means of production. Whether in capitalist society or in socialist society, provided the expanded reproduction is carried out with advanced technology, the law will work in the same way. In the past, when our heavy industry was rather developed, the state gave priority to heavy industry. According to the law, that was a correct policy. The problem lay in the fact that we one-sidedly treated this policy for a long time, even when heavy industry had achieved a given foundation, we still overstressed its development and neglected the development of light industry, thus resulting in the uncoordination and disproportion between these two industrial sectors. We should draw our lessons from past experience, and should not neglect the necessary development of heavy industry while stressing the development of light industry. Instead, we should study how to coordinate the development of heavy industry and light industry (including agriculture) in the course of readjustment.

How can we judge whether heavy industry and light industry are well coordinated? There are three criteria: 1) The principle of the two major categories developing in proportion should be observed; thus heavy and light industry can be developed in concert and each side can achieve consistent and steady growth. 2) The superiority of the socialist system should be brought into play, and the productivity and economic results of both heavy and light industries should be consistently improved, thus increasing the national revenue. 3) The purpose of socialist production should be maintained, that is to say, both heavy and light industry should proceed from satisfying the people's needs, instead of merely considering their own interests. The current readjustment should also be conducted in accordance with the above requirements, so as to readjust the balance between heavy and light industry. The theory that the share of light industry should be as large as possible cannot help achieve a coordinated development of heavy and light industry; this theory does not comply with the above requirements.

/3. The theory of light structure is apt to mislead people into thinking that the proportion of light industry should be as large as possible and the proportion of heavy industry should be as small as possible; or that readjustment means only to boost light and textile industries and to cut back on heavy industry. This thinking cannot help vitalize heavy industry and is harmful to the technological transformation of the national economy./

During the current readjustment, it is absolutely necessary to devote great efforts to develop the light and textile industries and appropriately reduce heavy industry to a certain extent. The reduction of heavy industry is aimed

at reforming the lopsided economic structure and cannot play a negative role. Through this readjustment, heavy industry can better coordinate the development of agriculture and light industry, and achieve a sounder foundation for its future development. If we regard one-sidedly the readjustment as "boosting light and textile industries and cutting back on heavy industry," it will lead to the following results: 1) Some enterprises in heavy industry will be shut down. 2) The development of heavy industry will not get the necessary attention from the leading departments concerned, the problems concerning heavy industry will not be able to be placed on their working agenda. 3) The capacity of heavy industry will not be able to be fully utilized and will be idle. 4) The previous drawbacks of heavy industry, such as incorrect service orientation and irrational product range, will not be able to be overcome.

Under the guidance of the theory of light structure, technological transformation and equipment renovation in the national economy cannot be accomplished as fast as possible. The future production development not only needs more capital construction in the energy and transportation departments and in some key enterprises, but will mainly rely on the expanded reproduction based on technological transformation and equipment renovation of the existing enterprises. At present, many enterprises of our country are backward in technology and are poorly equipped, thus resulting in low efficiency, high consumption of energy and raw materials, poor product quality and unsatisfactory economic results. Therefore, there is a necessity to carry out technological transformation and equipment renovation in a methodical and planned way. And this will call for the help of heavy industry, especially the machine-building industry. Through technological transformation and equipment renovation, some key equipment and technology can come up to advanced levels, thus expanding the production capacity. This is a strategic policy made by the central authorities recently. But the theory of light structure cannot help properly implement this policy.

/4. If heavy industry is reduced in accordance with the theory of light structure, its growth will slow down. The entire industry and the whole national economy will not be able to grow at a steady speed./ In our country, the fixed assets of heavy industry in 1980 accounted for over 80 percent of the total fixed assets of the entire industry; the number of workers and staff in heavy industry amounted to over 60 percent of the total employment in the industry; and the output value of heavy industry made up 50 percent of the total industrial output value. It is thus obvious that the growth rate of heavy industry decisively affects the growth rate of the entire national economy. In the period from January to July 1981, light industry achieved an increase of 11.7 percent as compared with the same period of the previous year, but heavy industry suffered a decrease of 8.3 percent; while increases set off decreases, the growth rate of the entire industry was far lower than the planned rate of increasing by 3 to 4 percent. Such a low growth was caused by the excessive reduction in heavy industry. If this situation continues, the only result will be recession and economic stagnation.

We should also note that light industry can never make up the losses caused by excessive reduction in heavy industry. In addition, only relying on its own strength, it is very difficult for light industry to grow. The reasons lie in the following facts: 1) The machinery and equipment of light industry are supplied by heavy industry. 2) Light industry needs raw materials from heavy industry. 3) Light industry needs energy and transportation from heavy industry. In a word, if the corresponding development of heavy industry is neglected, people's demand for more consumer goods will never be satisfied.

If a steady growth rate cannot be maintained in the whole economy, a series of problems will result: 1) Output value and profits decrease, thus seriously affecting the national financial income, and finally obstructing us from fundamentally removing the potential dangers in our economy. 2) The increasing material and cultural demands of the whole people cannot be satisfied. 3) The employment problem of the youth waiting for jobs cannot be solved properly. 4) Cadres cannot improve their management skill. 5) Morale cannot be boosted. 6) Science, education and health work cannot be promoted. In addition, without a steady growth rate, accumulation of economic strength cannot be realized and the "economic take-off" after the readjustment will lose its solid foundation. It is true that the growth rate during readjustment cannot be too high, but it is necessary to maintain a steady rate. The theory of light structure cannot help us attain this aim. What we ought to do is to follow the Marxist theory concerning the two major categories which are interdependent and interacting; while great efforts are devoted to develop the light and textile industries, heavy industry should also be vitalized. Only when agriculture, light industry and heavy industry all develop in a well coordinated manner can a reasonable and sound industrial structure be attained.

CSO: 4006/343

FOREIGN TRADE

BENEFITS OF SPECIAL ECONOMIC ZONES OUTLINED

Guangzhou NANFANG RIBAO in Chinese 24 Dec 81 p 1

[Article: "A Major Event in the Building of Special Economic Zones"]

[Text] By way of meeting requirements for building and developing special economic zones, acting in the spirit of "Regulations on Special Economic Zones in Guangdong Province," and following full investigation, study, and seeking the views of all quarters, the Standing Committee of the Fifth Guangdong Provincial National People's Congress promulgated and passed four separate regulations, namely "Temporary Regulations on Control of Personnel Entering and Leaving Special Economic Zones in Guangdong Province," "Temporary Regulations on Control of Registration of Special Economic Zone Enterprises in Guangdong Province," "Temporary Regulations on Worker Wage Controls in Special Economic Zone Enterprises in Guangdong Province," and "Temporary Regulations on Control of Land in the Shenchuan Special Economic Zone." These regulations were approved for publication by the National People's Congress Standing Committee, and are to take effect from January next year. This has been a major event in the building of Guangdong Province's special zones. It may be foreseen that these regulations will be a powerful force giving impetus to smooth progress in the building of special economic zones.

The party and the people's government attach exceptional importance to the building of and to the legislative work pertaining to the special economic zones. Last August, after the Standing Committee of the National People's Congress approved and published "Regulations on Special Economic Zones in Guangdong Province," Guangdong Province launched construction of special zones at Shenchuan, Zhuhai, and Shantou under the guidance of the "Regulations." For more than a year, surveying, planning, designing, and construction of these special zones has moved along smoothly in preparation for large scale future capital construction. Additionally, the special zones have gained preliminary experience and made heartening accomplishments in developing foreign economic activities and technical exchange, as well as in developing internal liaison. Foreign citizens, overseas Chinese, compatriots from Hong Kong and Macao, and compatriots from Taiwan Province who have come to the special zones to invest, have become increasingly happy with construction. Statistics as of the end of August this year show that in the special economic zone at Shenchuan alone, 804 different kinds of effective contracts of various kinds have been signed with traders from elsewhere, and accumulated investment amounts to 1.5 billion Hong Kong dollars. The special economic zones

have already begun to show their vitality, and beautiful prospects for the building of economic zones have already appeared.

Today the Standing Committee of the Provincial National People's Congress again published four separate regulations. These separate regulations embody the fundamental character of China's socialist system, help protect national sovereignty and the people's welfare, and advance a step further the policy of lifting external restrictions by the special economic zones, all of which favors investment and operation of various enterprises by foreign traders in the special zones. Given these regulations, activities of all kinds that are part of the building of the special economic zones have a charter to abide by, and laws that can be relied upon. Implementation of these regulations will raise to new levels the management work of the special economic zones, and they will provide citizens of foreign countries, overseas Chinese, compatriots from Hong Kong and Macao, and compatriots from Taiwan with preferential investment condition a broad scope for operations, and a stable, advantageous environment. Their properly conducted production activities, their capital, their profits, and their legal rights are all under the protection of China's laws. The labor, remuneration, and the labor insurance and social welfare benefits due personnel who work in enterprises introduced into the special zones are also guaranteed by national laws. In this way, the building of the special economic zones will certainly flourish and develop.

Naturally this is not to say that now that we have these four separate regulations, everything is perfect. We should realize that the trial operation of economic zones in our socialist country is a new event, and one for which we lack experience. Consequently, these separate regulations cannot be suddenly made the acme of perfection. Only as a result of future practice and the constant summarization of experiences can they be gradually perfected. Moreover, as building of the special areas develops, inevitably we will be required on the basis of the principles formulated in pertinent Chinese laws, ordinances, and policies, add on the basis of specific circumstances and actual requirements of the special zones, to formulate both more and more complete separate regulations so that economic management of the special zones will fully meet work needs, and so as to attract foreign capital, overseas Chinese investment, and the introduction of advanced technology and advanced equipment for more effective advantage from the special economic zones to accelerate construction of the four modernizations.

Building of special economic zones is a major aspect of Guangdong Province's practice of special policies and flexible measures in its foreign economic activities. A good job in building the special zones plays a major role in development of foreign economic cooperation and technical exchange, and in promoting the building of socialist modernization. People throughout the province should support and care about building of economic zones. They should strive on every battle front to make a contribution to the building of the special zones. Comrades who work in the special zones should arouse the spirit, with one heart and one mind, and with honesty in the discharge of their official duties, and work hard and resolutely carry out party and government policies as well as the regulations pertaining to special zones to make a contribution to the building of special economic zones that are possessed of a high degree of material civilization and spiritual civilization.

LABOR AND WAGES

RENDERING WORK ACCORDING TO REMUNERATION QUESTIONED

Shanghai JIEFANG RIBAO in Chinese 17 Dec 81 p 4

[Article by Wang Guorong [3769 0948 2837]: "Should Rendering Work According to Remuneration Be Practiced Simultaneously With Remuneration According to Work?"]

[Text] When we were discussing how better to implement the principle of distribution in accordance with work, a thought point emerged maintaining that both "rendering work according to remuneration," and "remuneration according to work" were both part of distribution in accordance with work. In the past, because of our neglect of "rendering work according to remuneration," maladies such as low rates of productivity and "eating out of a large common pot" resulted. In order to overcome these maladies, it is necessary to practice both "remuneration according to work" and "rendering work according to remuneration" simultaneously. This thought point merits discussion.

In order to reply whether or not "rendering of work according to remuneration" is an ingredient of distribution according to work, it is necessary, first of all, to clarify just what is meant by distribution according to work. Distribution according to work was put forward by Marx in "Critique of the Goethe [0766 6671] Program," and was a negation of capitalist distribution according to capital. It was a criticism of capitalist exploitation and is a fundamental characteristic of socialist society. This most progressive system of distribution, which is today most sensible for human society, uses work as the yardstick for distribution (remuneration). It has "work" as its premise, and "work" is the basis of remuneration; the more work the more gain; the less work, the less gain; and no food to those who do not work. The reverse of this is "rendering work according to remuneration," which makes "remuneration" a prerequisite for "work." To use distribution as a yardstick for work is a problem of work attitude for socialist society. One is a principle of distribution; the other is a work attitude, so how can one consider "rendering work according to remuneration" as an ingredient of distribution according to work?

Of course, work attitudes and distribution principles are related. Whether or not the principle of distribution is fair has a great deal to do with the enthusiasm of workers. Since the principles of distribution of capitalism are not fair, it is impossible to arouse the enthusiasm for production of the

broad masses of workers. Socialism's practice of distributions according to work, which link individual benefits for workers to the quantity and quality of work they do, has annihilated unrecompensed "surplus labor" by workers. The "surplus labor" workers provide society is "taken by the people and used by the people." Consequently it can fully stimulate and arouse the enthusiasms for labor of the workers, nurture socialist collectivist ideology, and produce more and better fruits of labor. When the fruits of labor are great, the workers themselves can obtain greater distributions. If the principle of distribution according to work is destroyed or badly implemented, that can hurt the enthusiasm of workers. For example, during the period of rampage of the "gang of four" when distribution according to work was villified as being an "economic foundation for a new capitalist class," labor and remuneration were seriously divorced from each other. Whether one worked much or little made no difference, and whether one worked well or badly made no difference. Even doing little was better than doing much and not doing anything better than doing something. Under such a situation of "eating out of a large common pot," the enthusiasm for labor of the workers was greatly impaired to the detriment of growth of production. Even today this situation has not been entirely surmounted. In order to solve problems in this regard, we must further perfect distributions according to work by establishing and perfecting systems of economic responsibility. However, we by no means need to depend on "rendering of work in accordance with remuneration" to arouse the enthusiasm for labor of the workers. Such a method not only cannot arouse the socialist enthusiasm of workers or establish a work attitude of being master in one's own house; quite the contrary, it can only foster ideas of being employed and impair or obstruct implementation of the principle of distribution according to work.

Comrades who advocate "rendering of labor according to remuneration" suppose that only by the practice of "rendering of work according to remuneration" can maladies such as low productivity rates, "eating out of a large common pot," and even living gratis off the labor of others be eliminated. Facts are completely otherwise. This is because distribution according to work is an economic principle; it is not a mathematical formula. We must do all possible to match "labor" and "remuneration;" however, yardsticks cannot be used in the same way that common measuring sticks are used to figure very precisely every inch and fraction of an inch. They can only be used to make work and remuneration generally equivalent. In determining wage scales and standards for rewards, economic management authorities have to figure not only quantity and quality of labor, and consider not only labor intensity and the distinctions between simple and complex labor, but also must correctly handle the mutual relationships among various kinds of personnel if they are to satisfactorily solve contradictions among the people, and they must "make overall plans taking all factors into account and make proper arrangements." It is difficult to avoid having the wages of some people and some units a little high while, in other places and other units, emoluments may be a little low. The same is true of rewards. Myriad differences exist between one industry and one trade and another, so one has to take account of what is going on everywhere and not act with arbitrary uniformity. Generally speaking, enterprises that are owned by all the people (particularly those enterprises whose products command high prices and in which profits are good) have superior production conditions provided workers by the state, and should provide society with some share of

"surplus labor." Furthermore, the means by which workers get back "surplus labor" is in some cases direct and some cases indirect. In individual terms, this means quantity may be a little more or a little less; there can be no absolute balance, and no doing everything to the letter. Even a person with just a little common sense can readily understand all this. However, the practice of "rendering of labor in accordance with remuneration" leads to everyone figuring out how much work he must render to get remuneration, to comparisons of wages and awards, and whether everyone is being treated fairly rather than the size of contributions to society. This can only lead to "money grubbing" by everyone, complicate problems, and arouse mutual frictions between various kinds of people in a socialist society, damaging the internal unity of the working people so that nobody will be willing to contribute excess labor to society. This clearly would obstruct the building of the four modernizations and a socialist spiritual civilization. Under these circumstances, there is no use, of course, in talking about genuine implementation of the principle of distributions according to work.

We firmly advocate steady perfection of a system of distributions according to labor; however, we similarly resolutely oppose "money grubbing," and oppose all erroneous theories such as the implementation of "rendering work in accordance with remuneration" simultaneously with implementation of payment of remuneration in accordance with work. We should propagandize more the correct handling of the benefits to the state, the collective, and to individuals, and correctly implement socialist economic policies, struggle for the material welfare of all the people, and not struggle for the material welfare of individuals.

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LABOR AND WAGES

GUIDELINES FOR HIRINGS IN INDIVIDUALLY OPERATED BUSINESSES AIRED

Nanjing XINHUA RIBAO in Chinese 2 Dec 81 p 3

[Article by Li Fuge [2621 1381 7041]: "Individual Businesses Must Have as Their Premise No Exploitation of Others"]

[Text] Some articles in periodicals treat approval by cities and towns for households engaged in individual business to "request helpers" as approval to "hire employees." Furthermore, some comrades suppose that approval for households engaged in individual businesses to seek helpers is the same thing as permitting the hire of labor to be exploited. They say that any difference between the two is simply a matter of wording. Is this truly the way things are? Of course not.

Hiring of workers is one form of exploitation. Both the point of departure and the end result when an employer hires an employee is to derive excess labor from the employee without payment of compensation. The relationship between employer and employee is one of the hirer and the hired, the exploiter and the exploited. But at the present stage in China, approval for city and town households engaged in individual businesses to seek helpers to help them is a horse of a different color. Individual households engaged in business are usually either a single person doing business or a family doing business; only when the individual or the family are truly terribly busy does it seek someone to help. The relationship between them is fundamentally not one of employer and employee or exploiter and exploited, but is rather a relationship of cooperation in work between two independent workers founded on voluntary participation and mutual benefit. Looked at in terms of political rights and social position, they are both completely equal. Therefore, one cannot call the seeking of helper in time of need by an individual household engaged in business as being hiring and exploitation.

Approval for a household engaged in individual business to seek helpers or take on apprentices is not to say that if a household engaged in individual business wants to bring in several assistants it can bring in several assistants, or that if it wants to take on a certain number of apprentices it can go ahead and take on a certain number of apprentices. It has to obtain approval of industrial and commercial administrative units, which clearly stipulate the number. Only one or two helpers may be brought in. In matters of a strongly technical nature or requiring special technological skills

requiring the taking on of apprentices, only two or three may be taken on and absolutely no more than five. Furthermore, one cannot simply make any regulations one desires, but rather a contract must be signed that clearly sets forth the rights, responsibilities, period of validity, and remuneration for both parties. Additionally such contracts must be certified by industrial and commercial administrative units. All that is needed is for such procedures to be adhered to, and even if a household engaged in individual business were to consider exploiting a helper as an apprentice it had sought, it would be unable to do so.

Speaking theoretically, if the individual engaged in business who sought helpers is truly in a dominant position in terms of the work, and the work that he does is skilled work (i.e. complex work), while the work of the helper is truly auxiliary in nature, under such circumstances even if the income of the person engaged in business who sought a helper is two or three times that of the helper, that would have to be considered fair. Of course, this is a theoretical abstraction formed solely on the basis that the value one skilled worker creates is equal to the value that three unskilled workers create. Actual life is doubtlessly more complex than this. Nevertheless, under most circumstances, the reasons why the income of a person engaged in individual business can be greater than that of helpers are, first of all, because as compared with the assistant, the amount of work he provides is greater and its quality is better. Secondly, it is because not only has he invested a certain amount of funds, but he also shoulders business risks. Just as when one is able to gain a certain interest from the deposit of currency in a bank, in investing funds, he takes risks and should thus get a certain "reward." Thirdly, it is because the help a helper gives a household engaged in individual business is generally only temporary, while the individual engaged in business who sought a helper must continue to work for a long time. He does not enjoy the benefits that state staff and workers enjoy, but must use a portion of the fruits of his endeavors for a labor insurance fund against possible time of adversity.

Since this is so, then why is it necessary to restrict at one or two people the number of helpers in a household engaged in individual businesses? This is because, on the one hand, the individual person doing business who sought a helper is limited in the "reward" he can obtain from investing funds and taking risks, and in the amount he can afford to pay into the compulsory labor insurance fund. On another hand, were no limit to be placed on the number of helpers a household engaged in individual business could hire, the income of the person engaged in individual business who hired numerous helpers would greatly exceed fair and proper bounds. Were such a situation to occur, it would be very difficult indeed to claim that a portion of the income of those who hired numerous helpers did not derive from exploitation.

The socialist system does not itself permit any exploitation. Not only is class exploitation not permitted, but even the slightest amount of exploitation between independent workers may not legally exist. The "Constitution of the Chinese People's Republic" made this point perfectly clear long ago. No matter that some slight exploitation may not be completely unavoidable in

real life, nevertheless, theoretically we positively cannot lightly compromise in "permitting a little bit of exploitation."

The reason some comrades advocate that households engaged in individual businesses should be able to seek several more helpers when necessary, and the reason they advocate that a little bit of exploitation be permitted in the initial stages of socialism is largely the result of the following thinking. First, on the basis of Marx's "small proprietor" thesis, they suppose that seeking several more assistants does not amount to being capitalist. Second, they suppose that when helpers are few in some trades, the work cannot be done. Third, they suppose that the proportion of such households engaging in individual business is extremely small, so in terms of the total national economy a little bit of exploitation so it cannot affect China's socialist system as a totality or in an overall sense. But these comrades have forgotten the following: First, that pertinent national regulations clearly state that under socialist conditions in China it is appropriate only to "respect national policies and laws, serve the building of socialism, with no individual economy that exploits the work of others," It is not the "small proprietor" situation that Marx hypothesized on the basis of the situation in a foreign country, whose hiring of eight workers permitted him to have a life that was twice as good as that of ordinary workers. Secondly, the trades that cannot do their work for lack of helpers demonstrate that some trades are not suitable to work as households engaged in individual business. Take the house repair trade, for example. Recently neighborhood labor service companies, which are enterprise units owned by all the people, and voluntarily organized repair teams that are collective in nature have come into being, so even though there are no households engaged in individual business involved in this trade, there is no question that needs in this field are being satisfied. Finally slight exploitation is still exploitation; it is only that the extent of exploitation differs. If this group of workers is allowed to exploit that group of workers, there will be no equality among workers to speak of. If this takes place, what is to prevent relationships between people from being turned upside down? What use would there be to talk about the difference in nature of the socialist system and all exploitive systems!

9432

CSO: 4006/221

LABOR AND WAGES

'GONGREN RIBAO' ON YEAR'S FIRST WORKERS CONGRESSES

HKD20244 Beijing GONGREN RIBAO in Chinese 22 Feb 82 p 1

[Commentator's article: "Make a Success of This Year's First Workers Congresses"]

[Text] In the first quarter of this year, many enterprises will hold their first workers congresses for this year, the success or failure of which will have an extremely important bearing on the enterprises' work for the whole year. We hope that all units will, on the basis of further clarifying their guiding ideology and doing a sufficiently good job of preparatory work, attain a new level at this year's first workers congresses and make a good start in further guiding enterprises' workers congresses onto the correct path.

Spring is the best time to make plans for the whole year. At the first workers congresses, we must first pitch in together to draw up the enterprise's plans for the whole year. This year, the overall plan for the growth rate of total output value of our country's industry and agriculture calls for "ensuring 4 percent growth, but aiming at 5 percent growth." All enterprises must conscientiously mobilize the masses into considering implementation of this year's production plan and principal measures and into devoting efforts to raising the economic effect. Some enterprises must also carry out an overall rectification, including a rectification of leading groups, staff and workers ranks, the management system, labor discipline, financial discipline and party style, as well as strengthening ideological and political work and so forth. These are important matters affecting construction in the enterprises and are crucial in deciding the success or failure of the enterprise's work for the whole year. This year's first workers congresses should all adopt the discussion of these major problems as their main topic. The vast numbers of staff and workers and every worker representative must concern themselves with the overall situation of the enterprises and take greater pains over matters of importance for the enterprises. They must adopt an attitude of being master of their own future in thinking of ways and means. As far as leadership of the enterprises goes, we must genuinely and sincerely believe in and rely on the masses and resolutely follow the mass line in drawing up the year's plans. In planning for these major concerns of the enterprises, we must rely on the vast numbers of staff and workers. In implementing every important task of the enterprise, we must

rely on them all the more. At workers congresses, there are representatives of workers, engineering and technical personnel, management personnel and leading cadres. They come from all walks of life, are on close terms with the broad masses, understand the actual conditions of all aspects of work in the enterprises and possess all kinds of practical experience and knowledge. When their strength in these areas is integrated with the workers congresses, we will be able to pool the wisdom of the masses and widely concentrate the wisdom and experience of personnel from all areas, so as to lay down more correct policies and to arouse initiative in all areas to overcome the various difficulties on the path of progress. At the same time, while grasping the focal points of production and enterprise management, the workers congresses must also conscientiously deal with and discuss problems such as working conditions and social welfare which are of general concern to the masses and which they are in a position to solve. They must also think up thoroughly feasible arrangements and make feasible decisions.

If we are to do a good job of this year's first workers congresses, one of the most important things to do is to stir up the revolutionary spirit of the cadres and the staff and workers and to raise the ability of the vast numbers of staff and workers to think as though they were masters of their own future. Without this ideological base, it will be difficult to carry out a conscientious and deep discussion of the enterprises' major concerns, and even more difficult to concentrate the wisdom of the masses and to lay down positive and correct policies. We must, in accordance with the demands made by the experience of the CCP Central Committee in learning from such advanced enterprises as Daqing, mobilize the whole body of cadres and staff and workers into linking up with the realities of their units and, on the basis of summing up last year's work, conscientiously determine whether our revolutionary zeal has been roused. We must determine whether we have established the ideology of paying attention to the interests of the state and to the overall situation and of giving consideration to the interests of the state, the collective and the individual, and we must consider whether leading cadres have managed to integrate closely with the masses and to share in their ups and downs. By means of such examination and summation, continuously raising the sense of master-like responsibility of the whole body of staff and workers, especially of leading cadres and worker representatives at all levels, and stirring up revolutionary spirits, the workers congresses will have a reliable ideological foundation.

In order to do a good job of holding the first workers congresses of this year, the most important thing is to conscientiously prevent and overcome formalism. If we hold a congress for the sake of holding a congress, without adequate preparations and without laying the situation before the masses and presenting them with the facts, the congress will merely be a formality to give worker representatives the chance to raise their hands. This kind of formalistic workers congress is a completely futile exercise. As leaders of the enterprises, they must regard the vast numbers of staff and workers as masters of their own future and sincerely create the conditions for the masses to be able to genuinely participate in the management of the enterprise. Some enterprises, in order to do a good job of holding workers congresses, hand over before the meeting the factory manager's report and the

various proposals to the worker representatives so that they can read and study them and ask the masses for their opinion. They also seek out the opinions and suggestions of the masses inside and outside the congresses, constantly supplement and revise, and manage to develop a situation in which the leadership genuinely and modestly asks the masses for advice and the masses speak their mind in contributing to the enterprises' policies. This has enabled the workers congresses to play their role of doing a good job of enterprise management to the fullest. These methods deserve to be widely advocated.

Our country's workers congress system has already begun to show its effect and vitality in our everyday lives. We believe that through further enrichment and amplification, it will definitely follow the correct path and display an ever greater power in the building of a socialist material civilization and spiritual civilization.

CSO: 4006/343

GENERAL

READJUSTMENT OF NATIONAL ECONOMY RECONSIDERED

Shanghai WEN HUI BAO in Chinese 19 Dec 81 p 3

[Article by Yuan Enzhen [5913 1869 2823]: "A Reconsideration of Readjustment of the National Economy"]

[Text] At the Fourth Session of the Fifth National People's Congress, Premier Zhao Ziyang reported an inspiring piece of news: This year's economic plan can be completed victoriously. A basic equilibrium was achieved in finance and credit and the national economy had started on a stable course of development. These were great accomplishments that had been achieved as the result of readjustment work. The historical conditions of our current readjustment are different from those of the readjustment of the early 1960's and the circumstances are not entirely similar. However, there is no harm in making some comparisons. In that earlier readjustment, 20 million workers and staff members were mobilized and transferred to the countryside where they underwent hardship. Currently, for the past three years we have arranged to employ more than 20 million persons within the cities and towns. At that time, the readjustment involved a massive contraction in production, whereas in the current readjustment there has been a series of rich harvests, there has been an increase of 12 percent in the value of output of the light and textile industries and there has been a very rapid pick up in the heavy industries. The earlier readjustment entailed shortages of goods which inevitably resulted in increases in the prices of some goods, with the standard of living of the masses of people being affected to a considerable extent. In the current readjustment, the markets are flourishing, commodity prices have been stable, and there has been continuous improvement in the standard of living of the masses of people. In the earlier readjustment, a great deal of effort had to be expended to withdraw the excess 5 billion yuan of currency in circulation in the society. However, in the past three years, because the state raised the purchase price of sideline agricultural products, raised workers' wages and instituted the incentives system, it was possible to achieve a basic equilibrium between financial revenues and expenditures, even though 92.5 billion more yuan were expended. In making these rough comparisons, one feels even more strongly that these accomplishments were not made easily. However, Comrade Zhao Ziyang reminded everyone that the present equilibrium between financial revenues and expenditures was realized on the premise of reduction in expenditures and that there are latent dangers in the national economy that have still not been completely eliminated. In order to effect expansion of the readjustment of the national economy and to bring about a basic turn for the better in the state of financial economy, a considerable period of time and the expenditure of great effort

will be necessary. That is to say, readjustment work can definitely not be stopped. During the entire period of the sixth five-year plan, it will be necessary to continuously implement the policies of readjustment, restructuring, reorganization and upgrading and to become more fully involved in the painstaking expansion of readjustment work. How can we bring about the continuous development in depth of readjustment work? This involves the problem of furthering understanding of readjustment.

Readjustment cannot be thought of as simply a matter of making a simple adjustment in an irrational economic ratio. Rather, it requires true coordination of economic relationships among various sectors. To take readjustment of the proportional relationship between light and heavy industry, in 1978, the proportion of the total value of industrial output accounted for by light industry in this country was 43.1 percent, while, by September 1981, it had increased to 50.6 percent. Correspondingly, the proportion of the total value of output accounted for by heavy industry fell from 56.9 to 49.4 percent. It should be said that this was a great accomplishment. However, changes in proportions are not the only standards reflecting accomplishments in readjustment work. At present, because of the rapid increase in purchasing power on the part of the masses of people and of the vast body of peasants in particular, the vigorous expansion of production of industrial and consumer goods will certainly continue to be one of the major tasks of readjustment. However, the expansion of production of industrial and consumer goods has been severely limited by current productive capacity and supply of raw materials. For this reason, replacing the old equipment of the light and textile industries and developing new sources of raw materials for industrial and consumer goods has become a matter of top priority for development of industrial and consumer goods. However, these tasks inevitably depend on vigorous support from such heavy industry sectors as machinery and the chemical industry. This demands further readjustment of the direction of service on the part of heavy industry. As far as Shanghai is concerned, this is what the situation is. While the machine industry should be reckoned as having a considerable scale and foundation, it is still hard put to meet the high demand required for technological reconstruction of the light and textile industries. Therefore, readjustment of the proportional relationship between light and heavy industry is not simply a matter of decreasing the proportion of production by heavy industry but also requires coordination of the proportional relationships between light and heavy industry so that the expansion of heavy industry can be linked with the requirements for expansion of light industry. Beginning in the fourth quarter of this year, a rapid pick up in heavy industry started in this country. This was a very important signal reflecting the quality of readjustment work. It is a sign that heavy industry in our country has begun to lose its "edema" and that it is gradually readjusting its direction of service and product structure and that it is again returning to the path of healthy development. It is evident that, during the readjustment, there is still room for the expansion of such heavy industrial sectors as the machine industry, the chemical industry and metallurgy.

Readjustment must be developed around the basic starting point of raising economic benefits. At the same time, it must cause the economy to maintain a fixed rate of expansion. Over the past few years, we have also engaged in a series of readjustment work involving the demands for raising economic benefits. For example, we have reduced the scale of capital construction, readjusted the direction of service

of heavy industry and have greatly expanded the production of various brands of consumer goods. Moreover, many gratifying achievements have been obtained. At the same time, we cannot forget about maintaining a fixed rate of economic expansion. This year, the total value of output of industrial production in this country increased about 3 percent. This is sufficient to demonstrate that it is still possible to have the economy maintain a fixed rate of growth even though it is a year of maximum readjustment under great difficulty. Of course, the rate of expansion that we want is a steady rate of expansion that will achieve actual results and cannot be allowed to be exaggerated in any way.

In order to obtain even greater effects from readjustment, we must also give full attention to coordination of readjustment and restructuring. Readjustment is readjustment of irrational economic structures and restructuring is restructuring of irrational economic management systems. During a period of readjustment, not only is it necessary to make thorough preparations for comprehensive restructuring of the economic management system but it is also necessary to proceed with those aspects of restructuring advantageous to readjustment in a timely way. For example, in order to readjust the relationship between industry and foreign trade, in addition to organizing such modes of structure as trusts in which there is a union between industry and trade, the establishment of an internal system of settling accounts and quoting prices is also an effective measure for promoting readjustment by means of restructuring.

10019

CSO: 4006/235

GENERAL

COMMENTARY ON STRUGGLING AGAINST ECONOMIC CRIMES

HK031530 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 1 Mar 82

[Station commentary: "Actively Wage an Anticorruption Struggle and Ensure the Sustained Development of the National Economy"]

[Text] The fourth session of the Fifth Guangdong Provincial People's Congress has triumphantly ended. This will serve as the rallying call for the people of the whole province to arouse their spirits, strive for national prosperity and accelerate the pace of socialist modernization. It will serve as the rallying call to mobilize the whole province and governments at all levels to combine the building of material civilization with the building of spiritual civilization, so that the efforts to achieve the various tasks of our province can reach new high levels.

At present, to uphold the spirit of the session, we must combine the proper handling of economic construction with serious attention to the building of spiritual civilization. We must especially severely deal with criminal activities in the economic and other fields and overcome the trend toward liberalization. We must carry through the struggle against corruption stemming from capitalism to the very end, in order to stimulate and achieve a turn for the better in the social atmosphere and ensure the sustained development of the national economy of our province. Severely dealing with criminal activities in the economic and other fields and actively striking at lagging, corruption, bribery and violations of law and discipline is the manifestation of the serious struggle against corruption. It is also an important part of the current effort to develop the party's fine traditions and build spiritual civilization.

Given our open-door policy toward foreign countries, our province which borders Hong Kong and Macao is the showplace on the southern gate of the socialist motherland. The importance of realistically strengthening the building of spiritual civilization and resolutely resisting corruption by bourgeois ideas is obvious. In recent years, we have adopted special policies and flexible measures, drawing on foreign investments and advanced techniques, expanding foreign trade and carrying out various forms of economic activities with foreign countries. This has played a positive role in stimulating the economy of our province and promoting the favorable situation in our province. But with the development of economic exchanges with

foreign countries, bourgeois corrupt ideas and practices have also intruded into our country. As a result, various unhealthy practices have appeared within the party and on the social scene. Smuggling, corruption, bribery, the practice of appropriating state property on a large scale, and other serious criminal acts are especially noticeable. Even some cadres in leadership posts have also got involved in criminal activities in the economic field. These facts show that on the one hand, we must firmly and unswervingly carry out the open-door policy toward foreign countries, absorbing what is wholesome to us. While on the other, we must maintain a high degree of vigilance, resisting what is harmful to us. Since the beginning of this year, we have strengthened the struggle against corruption by bourgeois ideas, smuggling, corruption, bribery, and violations of law and discipline, and criminal activities have leveled off. But where we show the least relaxation of our vigilance, these unhealthy practices have become rampant, interfering with and undermining our economic construction effort. Facts have shown that to properly handle our province's economic construction and ensure the building of material civilization follows the socialist direction, we must severely deal with criminal activities in the economic field, overcome the trend toward liberalization and resolutely wage an anticorruption struggle. Moreover, we must carry through this struggle to the end. However, some party committee members and leading cadres of our province have been irresolute in the face of this serious struggle. They have turned a blind eye to serious problems that exist among cadres, especially backbone ones, in the economic field. They have delayed in taking action and even shielded the offenders. This can never be tolerated. They must fully understand that fighting smuggling, corruption and bribery, resisting corrosion by bourgeois ideas and overcoming unhealthy practices is an important matter concerning whether the party and the government can maintain the style of selflessly serving the people and firmly cement the ties with the masses. It is also a major issue concerning whether we can successfully carry out special policies and flexible measures and properly run special economic zones. In short, it is a matter of importance concerning the success or failure in the effort to modernize Guangdong. In the face of such major problems of principle, party organizations and people's governments at all levels and all cadres must adopt a clear-cut attitude and take a firm stand. They can never take a soft and hesitant approach. Still less can they compromise and shield the offenders.

At present, we must pay attention to major and important cases, severely dealing with them one by one. In so doing, regardless of which department or which cadre is involved, we must persevere to the end. The higher the rank of a cadre, the more severe the punishment to be meted out. In the province, so long as we severely deal with a number of major and important cases and, at the same time, take a down-to-earth approach toward the proper conduct of the "All-People Civility and Courtesy Month" activities, properly take care of environmental sanitation, consolidate social order and improve the quality of service, the party style and the whole social atmosphere will show a great improvement. Economic construction will also show greater results and proceed at a quicker pace.

CSO: 4006/343

GENERAL

BRIEFS

CHINA ADVERTISING SOCIETY--The first meeting of the board of directors of the China Advertising Association was held on 26 February. It decided to change the name of the organization to the China Advertising Society. The board of directors, consisting of 65 people, including Lu Derun of TA KUNG PAO, Zhou Zuoqiang of WEN WEI PO and Liu Huada of ECONOMIC REPORTS, CHING CHI TAO PAO [ECONOMIC REPORTS], was elected by the first national congress of the association which ended yesterday. President of the society is Zhang Ding, director of the Central Institute of Arts and Crafts, and first vice president is Chang Shi, general manager of China Advertising Joint Company. Deputy Director of the Central Institute of Arts and Crafts Pang Xunqin and chief editor of ZHONGGUO GUANGGAO [CHINA ADVERTISING] Xu Baiyi were invited to be advisers of the society. The society now consists of representatives of 115 groups and over 400 individual members. [HK011216 Beijing ZHONGGUO XINWEN SHE in Chinese 0742 GMT 26 Feb 82]

CS0: 4006/343

Textile Engineering

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TITLE: "The Variation of Roller Pressure and Its Optimum Distribution"

SOURCE: Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION]
in Chinese No 1, Jan 82 pp 5-11

TEXT OF ENGLISH ABSTRACT: In this paper, the roller vibration equation with a solution either under the condition of loading by weight or by spring has been theoretically approached. The conclusions drawn are: (1) For a light roller with greater pressure, the operation will be more stable, and (2) The unstable range will be smallest in the spring-loaded case.

The pressure distribution of roller sets has also been dealt with, and the conclusion arrived at is that the pressure should be reasonably distributed in light of the speed requirement of the roller even if various minimum values of changing nip pressure of all the rollers can reach the same desired number.

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TITLE: "Some Dynamic Characteristics of Yarn Tension during Ring Spinning"

SOURCE: Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION]
in Chinese No 1, Jan 82 pp 13-18

TEXT OF ENGLISH ABSTRACT: In this paper, the dynamic characteristics of yarn tension during ring spinning were investigated by means of the data analyzer. Based on the data obtained, the characteristics of frequency and amplitude of dynamic yarn tension were derived through high speed photography and other techniques.

The paper proposes use of the effective value of yarn tension as its physical measurement. It includes the statical component of its average value, and the dynamic component of its variances.

Experiments show that dynamic yarn tension is a function of the traveler revolution period. The simplest form of the function is a sine curve, which takes place at the nose of cop build during each ring-rail movement. The complicated forms consist of four spectral values, i.e., fundamental, twice, triple and quadruple frequency traveler revolution. The dynamic component of yarn tension has no connection with

[Continuation of FANGZHI XUEBAO No 1, Jan 82 pp 13-18]

the instantaneous changes of the friction between ring and traveler, but does depend on the change of contact between the yarn and thread guide.

The amplitude of different spectral bands of yarn tension can be obtained from the power spectrum. The maximum tension during each traveler revolution is T_0 , which is the tension at the top of the balloon, and at this instant the yarn slips off the thread guide as shown.

Finally, the paper points out that yarn tension has a close relation with the conditions of the thread guide.

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TITLE: "Loom's Vibration and Automatic Shuttle-changing Motion"

SOURCE: Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 1, Jan 82 pp 19-22

TEXT OF ENGLISH ABSTRACT: This article describes the results of measuring the vibration of an automatic shuttle-changing loom.

It is concluded that an application of slow shuttle-changing motion will be very helpful in reducing the vibration and noise of the loom when compared with ordinary methods which strengthen the frame, lower the center of gravity, improve the picking motion, etc.

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TITLE: "The Method of Raising the Speed of Spinning Polynosic Fiber--Research on the Viscose Solution Preheating and Rheological Behavior"

SOURCE: Shanghai FANGZHI XUEBAO [JOURNAL OF CHINA TEXTILE ENGINEERING ASSOCIATION] in Chinese No 1, Jan 82 pp 23-27

TEXT OF ENGLISH ABSTRACT: A pressure capillary rheometer was used to measure the rheological parameters of polynosic viscose solution. It was brought to light that the temperature of the viscose is an important factor affecting its rheological behavior; by raising the temperature of the viscose before spinning the rheological behavior could be improved remarkably; it is a good procedure to raise the spinning speed of polynosic fiber. The result of experiments performed with a single spinneret spinning equipment proved this method to be feasible. If the viscose was preheated from 14°C to 20°C before spinning, the maximum speed of the first

[Continuation of FANGZHI XUEBAO No 1, Jan 82 pp 23-27]

godet could be raised from 12 m/min to 18 m/min. The physico-mechanical properties of the end product fiber spun at the speed of 38 m/min were approximately the same as those of the fibers obtained at low speed. This is in line with the fact that the fiber produced in summer will have better properties.

A static mixing heater was used in conducting the experiments. It was shown that heaters of this type can meet the requirement of preheating the viscose solution very quickly before spinning with good effects and are easy to operate.

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